

CORPORATE GOVERNANCE IN A STAKEHOLDER PERSPECTIVE

A STAKEHOLDER BASED APPROACH OF
CORPORATE GOVERNANCE
ON THE BOARD OF DIRECTORS LEVEL

Dissertation
for the Faculty of Economics, Business Administration and
Information Technology of the University of Zurich

to achieve the title of
Doctor of Economics

presented by
Veronika Mittnacht
from Heidelberg, Germany

Approved at the request of

Prof. Dr. Egon Franck
Prof. Dr. Sybille Sachs

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The Faculty of Economics, Business Administration and Information Technology of the University of Zurich hereby authorises the printing of this Doctoral Thesis, without thereby giving any opinion on the views contained therein.

Zurich, 1st April 2009

the Dean: Prof. Dr. Dr. Josef Falkinger

ABSTRACT

Corporate Governance in a Stakeholder Perspective

A Stakeholder Based Approach of Corporate Governance on the Board of Directors Level

This thesis asks how stakeholders can be represented and included into the board of directors' level and how these stakeholders can benefit the board by this inclusion. The thesis is therefore concerned with the question of *how boards of directors should be composed and how they should operate in order to include and benefit from stakeholder relationships for the long term strategic decision making of a focal firm*. In order to solve this question the thesis is based on three different theories in board research, namely agency, resource dependency and stakeholder theory, in order to fill the limitations of each theory with the benefit of another. Thereby a comprehensive *framework for board analysis* was developed in order to evaluate the various possibilities, the impact and importance of stakeholder relationships on the board of director's level. Research in extant theoretical literature and empirical research helped to identify potential positive effects of stakeholders by their inclusion on the board of directors' level and sets the basis for the three interrelated but autonomous empirical parts of the thesis. The empirical investigation thereby combined *quantitative and qualitative analyses* in order to benefit from the advantages of both methodological approaches and limit their negative side effects by single usage. By a non-reactive method of data collection and quantitative analysis, the negative effects of the influence of the researcher on the data (e.g. researchers influence on interviewees) was limited. On the other hand, the qualitative method, using interviews in order to evaluate the perceived benefits provided by stakeholder relationships on the board of directors' level in three case studies as well as to reflect the overall findings by expert interviews from different perspectives, allows to appropriately respond to the complexity of the issue. The results give preliminary support that the inclusion of stakeholders on the board of directors have positive effects for the board and the company but different corporate situations and managerial implications should be taken into consideration in order to improve the outcomes.

Keywords

Stakeholder, board of directors, corporate governance

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*To my dear parents and family, who have given me faith,
my beloved boy-friend, who has given me love,
my supervisors and supporters, who have given me advice,
and to all my friends, who have given me hope,
the sources of inspiration and strength for me*

This work is dedicated to my dear family and my beloved boy friend. I am eternally thankful to my family for the love and support they gave me throughout my whole life. I would like to thank my dad that he showed and taught me the meaning of hard work and seeing the tasks through. My mum I would like to thank for her demonstration of the true meaning of love through years of constant encouragement, confidence and strength. To my brothers for their faith in me and the happy hours we always spent together. To Cora who cheered me up in hours of doubt and sadness. Especially I would like to thank Hans who provided me with love and energy. I could always count on his understanding and help. I would like to thank all of you for the love and support you gave to me.

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LIST OF ABBREVIATIONS

AR	Aktienrecht (Swiss Stock Corporation Law)
AT	Agency Theory
BSR	Business and Society Research
CG	Corporate Governance
CGRL	Corporate Governance Regulations of the SWX
CSR	Corporate Social Responsibility
GV	Generalversammlung (General Assembly in Switzerland)
HC	Human Capital
OECD	Organization for Economic Cooperation and Development
QCA	Qualitative Comparative Analysis
RC	Relational Capital
SMI	Swiss Market Index
SWX	Swiss Exchange (Switzerland's national stock exchange)
VR	Verwaltungsrat (Board of Directors in Switzerland)

1 INTRODUCTION

*Enterprise Governance is of great significance because it impacts everyone
– including you, the reader.*

[Weston et al. 2001]

1.1 Introduction to the Chapter

1.1.1 Goals of the Chapter

The present chapter provides a short summary of the thesis motivation, its goals, its theoretical background and the methodological approach chosen to solve the underlying research questions. In addition, the chapter describes the basic structure of the thesis in order to guide the reader through the topic and facilitate a quick location of aspects and findings of the readers' interest. In order to fulfill these goals the chapter will introduce an overview figure highlighting the main aspects, goals and findings which will be repeated at the beginning of each following chapter.

1.1.2 Road Map of the Chapter

The introduction starts with a brief description on the motivation and goals of the thesis (section 1.2: Motivation of the Thesis). It will be followed by a detailed explanation of the research problem (section 1.3: Research Problem) and the development of the main research question and related sub questions (section 1.4: Research Question). Based on the research questions the theoretical background (section 1.5: Theoretical Background) and the rationale for the applied empirical investigation process (section 1.6: Research Approach) will be outlined followed by the relevance of research (section 1.7: Relevance of Research). Finally, the chapter will be summarized and a road map of the structure and content of the thesis will be presented (section 1.8: Structure of the Thesis).

1.2 Motivation of the Thesis

Due to my employment and research activity at the Centre for Strategic Management: Stakeholder View at the University of Applied Sciences (HWZ) and after long discussions with research experts in the field of stakeholder management and corporate governance I started to be interested in the question of how companies include stakeholder concerns into their long term strategic decision making processes. Influenced by the assumptions of Blair [Blair 1995a, Blair 1995b] that the board of directors plays a key role in the long term strategic decision making process, I was looking for answers to a seemingly simple question that had emerged in several discussions. The question concerned on *how boards of directors should be composed and how they should operate in order to include and benefit from stakeholder relationships for the*

long term strategic decision making of a focal firm. I assumed that the inclusion and awareness of stakeholder relationships on the board of directors' level would not only directly support the board of directors in their task performance, but would also indirectly benefit the company.

However, the impressive mass of board literature could not provide significant guidance to answer the above stated question. By analyzing the „mainstream“ board literature that generally looks at how boards affect firm performance in established public firms I expected to find indications on what the ideal board regarding my research interest would look like. Although boards have been analyzed from numerous theoretical perspectives, each emphasizing a different detail of boards in their composition and structure due to the underlying primal board task, the results are ambiguous or weak. In summary, my literature search led to the conclusion that very few studies are focused upon stakeholder theory and relationships [Huse 1993] and even fewer studies are focused on the potential benefits of different stakeholder relationships for the task performance of the board of directors and thereby for the company itself. Additionally, the extant literature has not offered a practical tool for selecting board members, one that complies with regulation, sustains managerial probity, and focuses attention on total value maximization so far.

This fact led to the mainly exploratory character of my dissertation. Given the lack of conceptual and empirical guidance, I decided to approach the topic from different theoretical and methodological perspectives, which appears to be appropriate for an exploratory thesis. In order to better explain the rationale behind this idea of the thesis, its basic assumptions and the theoretical and methodological decisions taken, I will in the following outline the general research problem, the development of the research question and sub-questions as well as the structure of the dissertation in more detail.

1.3 Research Problem

The research stream in corporate governance concerning the organization of leadership and control has gained importance in recent years, enhanced by accounting scandals and the following loss in business confidence. In order to reconstitute business confidence many obligatory¹ or non-obligatory codes², guidelines and laws were issued mainly focused on granting shareholder rights. Although the last years have shown in theory and practice that enterprises should not solely rely on their shareholders to increase their performance but also consider the effects of their actions on their further relevant stakeholders in an interactive perspective. More and more companies realize that their one-sided orientation toward shareholder value is too narrow, especially because today the firms' strategically relevant resources are not only of financial or tangible nature, but most importantly knowledge oriented and by this intangible. Therefore the interest in stakeholder theory has been increasing over the last decades partly due to the growing importance and impacts of the decisions taken by the firm

¹ In Switzerland for example: the SWX directive of corporate governance [SWX 2002].

² In Switzerland for example: the Swiss Code of Best Practice for corporate governance released by the Economiesuisse [Economiesuisse 2002].

for different stakeholder groups [Jansson 2005] acting as risk or benefit receivers as well as the influence of stakeholders on the companies' performance acting as benefit or risk providers [Post et al. 2002b]. Today there is growing confidence that good corporate governance can enhance organizational wealth [Drobetz et al. 2004, Margolis and Walsh 2001, Margolis and Walsh 2003] and that the board of directors takes a key function in developing, implementing and maintaining good corporate governance in an organization as well as acting as an increasingly important arena for governing exchange with the external environment [Blair 2003]. Although there have only been few efforts by regulation or recommendation as well as in theory and research [Huse 1993] to implement a stakeholder perspective on corporate boards.

In order to answer the challenges caused by the increasing public and academic interest in the improvement of corporate control and the rising interactions between corporations, society and politics this thesis aims to add insights to the traditional understanding of corporate governance and the board of directors by a stakeholder orientation not only to give stakeholders a voice in and through the board of directors of a company but also with the intention that stakeholder relationships on the board of directors level provide benefits directly for the board and indirectly for the company. This assumption leads to the formulation of the research question, which will be outlined in detail in the following section.

1.4 Research Question

According to the research problem explained above, the interest in board stakeholder relationships and their beneficial impact, the central question posed in this thesis can be stated as follows:

RQ: How should the board of directors be designed and how should it operate in order to benefit from stakeholder relationships in a Swiss corporate governance perspective?

This thesis therefore analyses first the determinants of board aspects, as stated by the following sub question:

SQ1: Which are the main board aspects that have been focused upon in theory and extant empirical research?

In order to build up a framework for the further empirical analysis the thesis is in a second step, related to the following sub question:

SQ2: How can stakeholder relationships be evaluated and integrated on the board of directors' level?

And third, it evaluates the positive effects of stakeholder relationships on the board of directors' level on the way the board of directors fulfills its roles, as stated by the following sub question:

SQ3: What are the beneficial impacts of stakeholder relationships on the board of director's level for the board in fulfilling its roles?

The analysis of these three sub questions forms the structure of the thesis. SQ1 will be analyzed by the conceptual part of the thesis due to a literature research based on the

three underlying theories and their empirical findings. SQ2 leads to the development of a research framework, based on the findings from SQ1, which evaluates the possibilities to establish stakeholder relationships on the board of director's level in order to guide the further empirical analysis. SQ3 is analyzed by the empirical part of the thesis and will lead to conclusions regarding the importance and advantages of stakeholder relationships for the board and corporate governance as well as to managerial implications on how the board of directors should be designed and how it should operate in order to benefit from stakeholder relationships. By a summary of the findings from all three sub questions SQ1-SQ3 the thesis main objective and central research question RQ can be answered.

To analyze the impact of the research question, its main components: corporate governance (see section 1.4.1), the board of directors (see section 1.4.2), stakeholder relationships and benefits (see section 1.4.3) as well as the specific focus on the Swiss national background (see section 1.4.4) will be briefly outlined in the following sections.

1.4.1 Corporate Governance

Corporate Governance sets the design of institutions that induce or force management to internalize the welfare of stakeholders [...] and to maximize the sum of the various stakeholders' surpluses.

[Tirole 2001]:4, 24

Corporate governance generally refers to the system by which organizations are directed and controlled. It specifies the distribution of rights and responsibilities among shareholders and managers as well as the rules and procedures for making decisions on corporate matters and functions. The distribution problem of rights and responsibilities as well as their monitoring arises from the separation of ownership and control in public corporations [Berle and Means 1932]. Corporate governance thereby aims at solving the problems of possible opportunistic behavior by managers (agents) towards shareholders (principals) as stated by the principal-agency theory. By this shareholder focused understanding of corporate governance, boards of directors are an important corporate governance instrument as they assume the monitoring function over management on behalf of the shareholders. Based on the increased public scrutiny and the debate about the questions of whose interest the corporation should serve and who the contributors to and beneficiaries of corporate value are, a wider sense, or so called stakeholder focused understanding of corporate governance emerged. Corporate governance in a stakeholder focused understanding thereby also includes the responsibility towards and the relationships with a broader range of stakeholders. This leads to a modified definition of corporate governance as illustrated by the citation of [Tirole 2001] at the beginning of this section, as well as to a changed understanding of boards and their tasks, which will be further outlined in the following section.

1.4.2 Board of Directors

Boards must understand, that they are the representatives of all the important stakeholders in the firm - all those whose investments in physical or human capital are at risk.

[Blair 1995a]:326

As illustrated above, board of directors are a central institution in the corporate governance system. A demonstration of their centrality within corporate governance is the director's responsibility which ranges from key overview operations to effective organizational functioning [Blair and Stout 2001, Jensen 1993, Johnson et al. 1996]. But in the current state of corporate governance research, only the monitoring function of the board of directors seems to be of crucial importance [Johnson et al. 1996], whereby boards of directors are described as „the apex of the internal control system“ [Jensen 1993]:862. Parallel to the changed corporate governance understanding the weighting and importance of the board roles develops from monitoring to further roles, like resource, service and strategy roles [Zahra and Pearce 1989] which have to be fulfilled by the board of directors simultaneously. As stated by [Hillman and Dalziel 2003] the fulfillment of these roles thereby highly depends on the board capital, which consists of the human capital (expertise and experiences) and relational capital (relationships to internal and external organizational stakeholders) included by board composition or supported by board structure and board processes. These assumptions highlight the research relevance and practical importance of stakeholder relationships on the board of directors' level.

Parallel with an increasing academic interest, boards of directors receive a great deal of attention in practice. For years, their actions and performance have been scrutinized by institutional investors (CaIPERS, (1996), TIAA-CREF (2004)) and other market parties such as shareholder activists [Monks and Minow 2002], rating agencies [Deminor 2006] and the media [Byrne and Melcher 1996]). But, recent corporate scandals have moved various board aspects, like the structure, composition and behavior of corporate boards, under a wider public scrutiny. Shareholder activists and other stakeholders are demanding board members to be more active and independent from management but also that the constitution of corporate boards reflect more accurately the internal and external constituents [Ayuso and Argandoña 2007]. But the call for new laws and stronger regulations is inseparably connected to the conviction that a problem is solved if only stricter laws and more detailed standards are set. However, the past has shown that the existence of such laws and guidelines, mainly focused on formal board structures and board characteristics, are not crucial for success, rather than the spirit in which they are implemented and embedded in an organization [ref]. Carrier of this spirit is the management whereby the board of directors, as internal and external representative of a company, holds a key function. Developing, implementing and maintaining good corporate governance is therefore a major part of the boards operations as well as its importance of being the interface between the companies external and internal stakeholders. Therefore, as illustrated by the statement of [Blair 1995a, Blair 1995b] at the beginning of this section boards are challenged by a broader

task definition and responsibility towards internal and external constituencies of a company, which will be further outlined in the following section.

1.4.3 Stakeholder Relationships

(...) we should consider what the function of the enterprise in society is. In addition, one can learn much from history, particularly from the interrelation between Anglo-American shareholder thinking and what can be called stakeholder capitalism of the European, particularly the German type. In the whole corporate governance discussion the stakeholders, including the employees, credit givers (banks), the state and also the public, are mentioned beside the shareholders (...)

[Blair 1995a]: 324

During the past years, companies have realized that a one-sided orientation on short-term shareholder value is too narrow, especially because today the firms' strategically relevant resources are not only of financial nature but most importantly knowledge oriented [Blair 1995a]. Thereby, firms' engagement and control are not only influenced by financial resources and the shareholders but also by other stakeholders that provide relevant tangible and intangible resources. The thesis therefore draws on stakeholder theory (stakeholder perspective) in addition to the principal agency theory (shareholder perspective) and resource dependency theory (resource perspective) of corporate governance.

According to Mintzberg boards are places where „*internal and external coalitions meet face to face*“ [Mintzberg et al. 1998]. The board is therefore an interface of internal and external relationships and this opens opportunities to enhance organizational wealth at the board of directors' level. Stakeholder relations enable the boards to fulfill their key functions by contributing knowledge and further resources as well as by the reduction of risks. If one accepts this point of view combined with the centrality and task definition of the board of directors within corporate governance the question arises how the board of directors can build up an effective arena of exchange in order to gain access to these resources provided by the stakeholders.

The focal firm from a stakeholder view perspective is understood to be „*the nodal element within a network of interrelated stakeholders that create, sustain, and enhance its value-creating capacity. The long-term survival and success of a firm is determined by its ability to establish and maintain relationships within its entire network of stakeholders*“. [Post et al. 2002b]:7 and relationships are characterized by transactions involving the exchange of either risks or benefits [Post et al. 2002c]:19.

1.4.4 Swiss Firms

The focus of the dissertation will lie on Swiss companies. This focus can be justified by the characteristics of Switzerland as a small country with a limited potential of high-level management and the strong network between corporate boards and various stakeholders resulting from it. The current legislative initiatives and guidelines to provide a good, internationally exemplary corporate governance code as a result of the rising interest from economics, politics and the society in topics of the responsible

management makes Switzerland an interesting object of investigation. Moreover, the companies must actually reflect upon their systems of corporate governance which will lead to insights into the development process and perhaps to new approaches and good practices. On the contrary the regulations are based on a „*comply or explain*“ approach which leaves high discretion to the companies to design their corporate governance system. Additionally, the tasks and responsibilities of Swiss boards are broadly defined and therefore fit to a broad understanding of corporate governance. As specified by the articles OR 716 (a) and (b) of the stock corporation law Swiss board of directors are responsible for strategic governance, internal control and monitoring which may increase the importance of stakeholder relationships on the board of director's level and therefore an analysis of boards in the Swiss context seems to be promising.

1.5 Theoretical Background

In order to solve the central research question as well as its related sub questions there are three main streams of research on which this project draws: *Agency theory*, as most common and integral part of the corporate governance theory, *Resource Dependency Theory*, and *Stakeholder Theory*. All of these theories can make important contributions for studying the influence and benefits of stakeholder relationships on the board of director's level. The thesis will be strongly focused on these theories and the empirical findings based on the interface of economic corporate governance and stakeholder research in order to develop the research framework for further empirical analysis. At the same time, it combines the insights and achievements of the three research streams to widen the constituency of interests including further stakeholders in addition to shareholders, assuming that their interests are served primarily by wealth creation [Donaldson and Preston 1995]. Therefore, this research project can be positioned as illustrated in Figure 1.

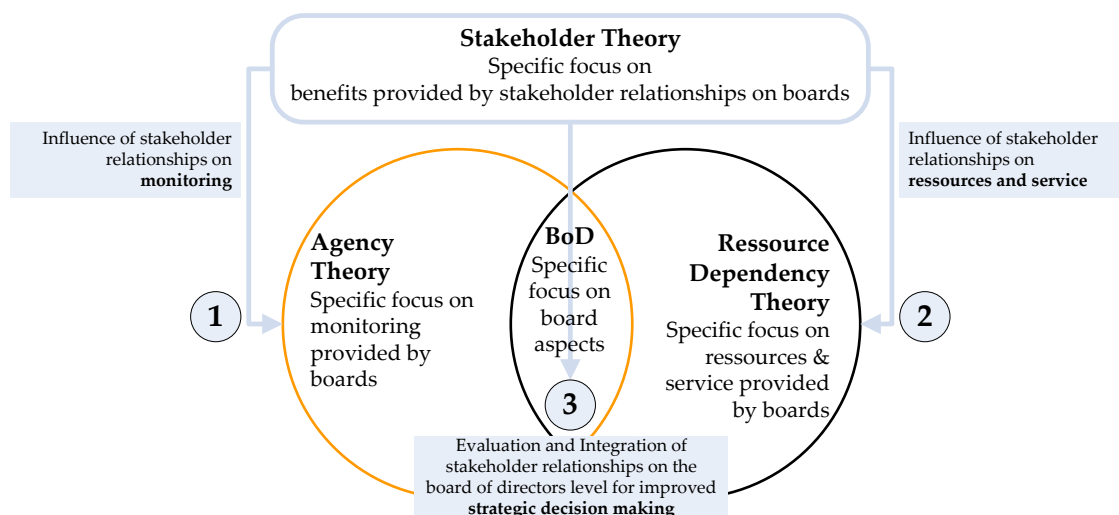


Figure 1: Theoretical Background of the Thesis

As outlined in Figure 2 the thesis first evaluates the corporate governance understanding as implied by the three theories in order to define the underlying corporate governance understanding of the thesis and to set up the basic theoretical understanding of the board of directors (see chapter 3). The thesis will draw on the body of knowledge of these theories by taking an instrumental perspective in order to develop a framework of analysis based on the theoretical implications and empirical findings of the mentioned theories. In this context the thesis will try to combine the insights of the divergent theories to develop a corporate governance framework which makes a contribution to both, corporate governance theory and practice. In chapter 4 the focus will be narrowed to the board of directors' level in order to evaluate the theoretical implications as well as the empirical findings regarding board tasks and various board aspects. The thesis refers to the roles of governing boards as definition for the boards' tasks which have to be fulfilled as good as possible in order to enhance organizational wealth and to develop, implement and maintain good corporate governance in an organization. We refer to the role classification as stated by [Pearce and Zahra 1992], who distinguish between the monitoring, service and strategy roles needed to be fulfilled by the board of directors. In this dissertation we will rely on these three roles of governing boards as well as on the underlying schools of thought. We will therefore outline in chapter 4 how each of the three theories highlights one specific task although the overall wealth creation capability of the board of directors is always influenced more or less (e.g. depending on national settings, the company or company context factors) by the fulfillment of all three roles simultaneously. The chapter will show why we assume the implementation of stakeholder theory as an important factor to increase the wealth creation and risk reduction capability of boards due to beneficial outcomes regarding all three roles and therefore by the combination of all three theories.

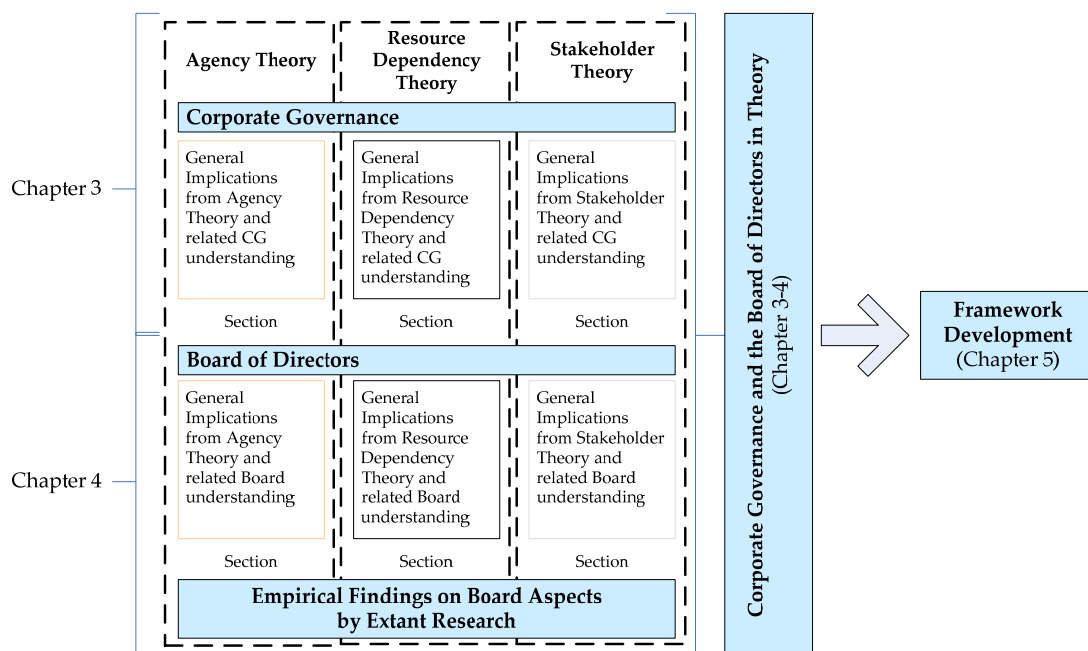


Figure 2: Conceptual Part of the Thesis

This so called „*conceptual part*“ of the thesis therefore covers the analysis of extant literature and empirical findings in corporate governance and stakeholder management focused on the characteristics of the board of directors, board-stakeholder relationships and potential benefits. Taking into account the extent of theoretical and empirical findings this literature analysis will lead to the development of a framework to analyze the board-stakeholder relationships and the potential benefits and resources gained by the empirical part of the thesis. The conceptual part therefore provides a comprehensive and broad perspective of board research in order to identify and explore blind spots and gaps, which may have precluded past board research from producing conclusive insights into boards and the impact of board-stakeholder relationships.

1.6 Research Approach

The methods of management and business research are closely tied to different visions of how organizational reality should be studied.

[Bryman and Bell 2003]

As stated by [Bryman and Bell 2003] the decision for a specific research method is linked to the way in which the researcher „*envisions the connection between different viewpoints about the nature of social and business reality and how they should be examined*“ [Bryman and Bell 2003]:4. The chosen research methods as well as their configuration therefore have a strong influence on the proceedings and outcomes of the research undertaken. As the chosen research method must lead to adequate data in order to answer the underlying research question it has to fulfill the needs and interests of the researcher as well as to fit the conditions of the research object, the underlying theory and concepts. After having defined the research question and the underlying theories the following paragraphs briefly outline how data, covering the make up of boards and the influence of stakeholder relationships on the board of director's level, will be collected and analyzed. This leads to the development of a research design which covers the questions of how data collection will be organized and by which methodologies data analysis will be conducted.

The „*empirical part*“ of the thesis, as illustrated by Figure 3, is built on the developed framework of analysis (chapter 5) and insights from the conceptual part (chapter 3 and 4) by considering the findings in the above mentioned dimensions. The theoretically derived theses will thereby be tested and critically reflected by three steps covering three different sources of data input of the empirical analysis (chapter 7-9).

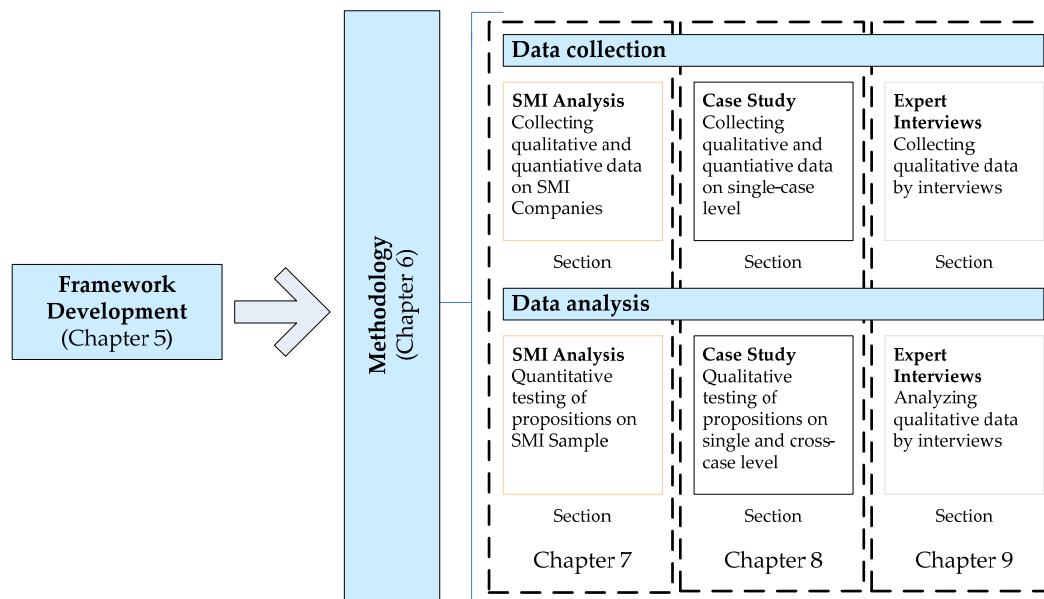


Figure 3: Empirical Part of the Thesis

The SMI analysis (chapter 7), as the first step, is focused on the evaluation of the state of the art in stakeholder integration and the build up of stakeholder relationships in board composition and structure due to different contextual variables and the corporate governance understanding of the companies in the sample. It is based on a quantitative analysis of quantitative and qualitative data as provided by the companies in their annual reports and other publicly available sources of information (e.g. internet, „who is who“). In the second step (chapter 8) we are using in-depth case studies, based on the „Good Practices in Stakeholder View“³ case study research, in order to evaluate the processes behind three specific board settings as well as the perceived benefits from stakeholder relationships on corporate boards. We rely on in-depth case studies to evaluate these aspects due to the assumption that stakeholder relations are complex social phenomena with no clearly evident boundaries to their context. Taking into account this high degree of complexity of real-life situations, a solely quantitative approach tends to be incapable in capturing the complex social phenomena of board-stakeholder relationships and their outcomes. For this reason a case study research will be conducted, in the second step of empirical analysis, in order to qualitatively analyze both quantitative and qualitative data to answer the proposed research question. The last step of empirical analysis is used to reflect the findings by the statements of experts from different perspectives of knowledge and expertise.

³ The „Good Practices in Stakeholder Management“ research project was conducted under the lead of Prof. Dr. Sybille Sachs at the Centre for Strategic Management: Stakeholder View of the University of Applied Sciences in Business Administration (HWZ) from 2004-2007. Based on six case studies in the telecommunication and the financial services industry it was concerned with the general question on „How and why firms adopt a broad stakeholder orientation“. For further information on the project we refer to chapter 8 or for more detailed information to http://www.fhhwz.ch/g3.cfm/s_page/54710/s_name/researchprojects (27.12.2007).

Therefore we conducted semi-structured interviews with four corporate governance and board experts. The findings and conclusions of all three separate but interconnected steps of empirical analysis lead to the formulation of managerial implications on how to build-up, maintain and benefit from stakeholder relationships on the board of directors level.

1.7 Relevance of Research

The thesis aims at improving the understanding of how stakeholder relationships can be built on the board of director's level and what the benefits of these relationships for the board and the company may be. As already mentioned above, there are very few existing approaches, which specifically take stakeholders as benefit contributors through board-stakeholder relationships into consideration. The study will therefore evaluate first empirical, theoretical and practical insights into the topic and provide guidance for future research. In the following these empirical, theoretical and practical outcomes will be shortly outlined.

The thesis involves two **empirical** goals:

- The evaluation of propositions based on the analysis of theory and the secondary data collected through the main project, concerning important aspects of corporate governance on board of directors' level in an instrumental perspective.
- The evaluation of the practical relevance as well as the deepening and broadening of the formulated propositions through narrative interviews with the top management of three companies by in depth case studies as well as by experts interviews in order to reflect the findings from different perspectives.

From a **theoretical** perspective, the intended original contribution from answering this research question can be described in the following manner:

- Development of a corporate governance framework at the board of directors' level that draws on the body of knowledge of economic and stakeholder theory, while taking into account the interests and impacts of the shareholders as well as those of the other stakeholders relevant for organizational wealth creation.
- The theoretically derived framework will be developed to explain the way corporate governance can provide a possibility to influence the acceptance and implementation of stakeholder management principles through the board of directors.
- The analytical conceptualization sought and the chosen qualitative approach will offer a base for further empirical research outside of Switzerland.

The intended **practical** relevance of answering the research question can be summarized with the following points:

- The reflections of findings by expert interviews, as well as the generalizations, drawn from the case study results, allow the development of managerial implications to support practical guidance.

- Based on the framework to be developed, board of directors can be shown their frame of action for the implementation of standardized stakeholder management principles and practices.

1.8 Structure of the Thesis

Having outlined the most important aspects of this study, the course of this thesis can be illustrated by the following Figure 4: Structure of the Thesis.

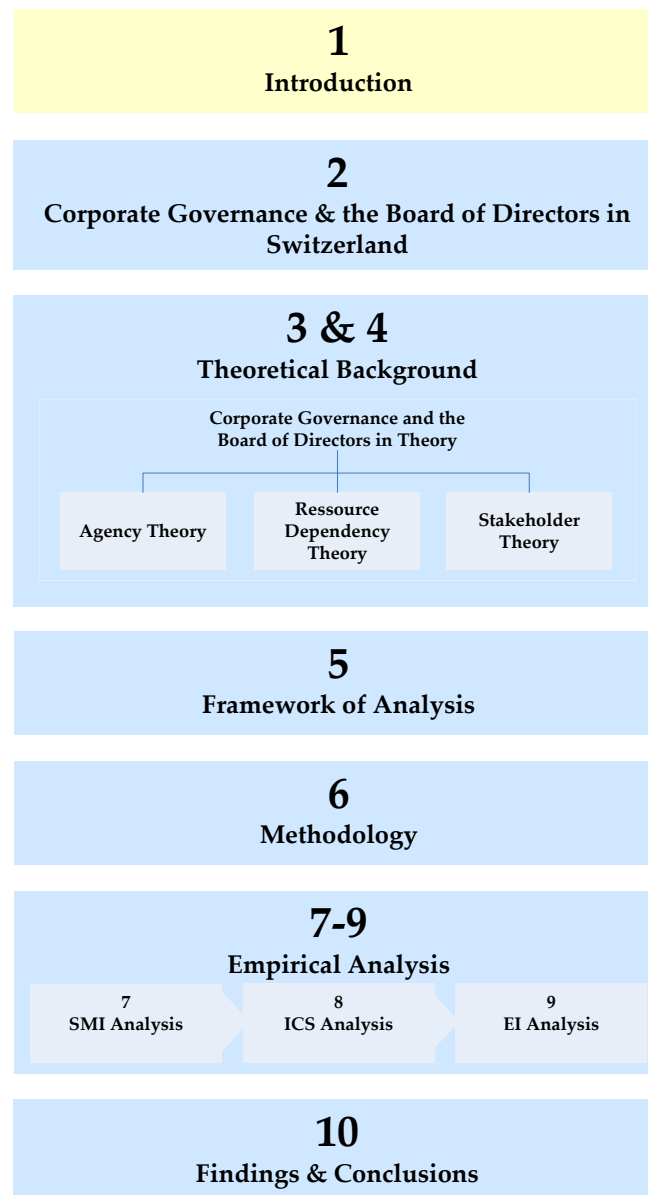


Figure 4: Structure of the Thesis

After this *Introduction* (chapter 1), the following chapter 2 outlines the particularities of *Corporate Governance and the Board of Directors in Switzerland* in order to set the basis and contextual environment for the empirical analysis focused on companies and corporate boards in Switzerland. The following chapters 3 & 4 are used to review the literature

on *Corporate Governance* (chapter 3) and the *Board of Directors* (chapter 4) concerning the agency, resource dependency and stakeholder research streams referred to above. Thereby, special attention is paid to identify insights from extant empirical research within each of these areas that contribute to the understanding of board-stakeholder relationships. In chapter 5, a *Framework of Analysis* is derived that builds on the previously identified theories, concepts and empirical findings. Preliminary Theses are formulated regarding the composition and structure of boards as well as regarding the influence of board-stakeholder-relationships and the implementation of stakeholder management principles and practices on the board of directors' level in order to give the board advantage in solving their tasks. Chapter 6 outlines the *Methodology* that is chosen with the intention to solve the research question and for analyzing the formulated theses. Having set the methodology and framework of analysis, the following chapters will outline the *Empirical Analysis* (chapters 7-9) which consists of three mostly independent parts. The analysis of the *SMI Sample*, from which two cases with remarkably findings regarding the stakeholder implementation on the board of directors are drawn for the case study in chapter 7, is used to evaluate the state of the art in board composition and structure of top-ranking Swiss firms. *The Cases* of SwissRe, Swisscom and Suva are described in chapter 8, offering an understanding of the context in which the relevant data was collected. Based on documents, company information as well as by interviews with top management of the three companies, insights into the benefits from the different corporate governance systems regarding stakeholder relationships and processes on the board of directors' level are derived. In chapter 9, the so far evaluated insights are reflected from different perspectives by the statements from *Expert Interviews*. The overall *Findings* will be discussed in chapter 10 and finally, *Conclusions* are drawn, including an outlook on further research and implications for the practical implementation of a systematic board-stakeholder relationship concept

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CHAPTER 2

1

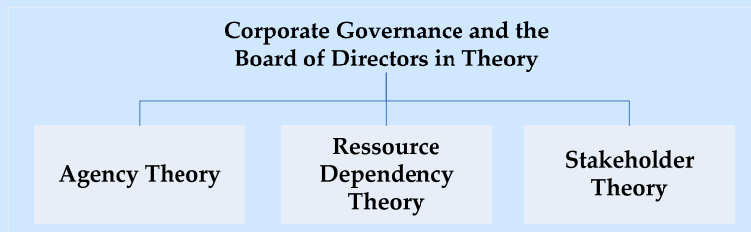
Introduction

2

Corporate Governance & the Board of Directors in Switzerland

3 & 4

Theoretical Background



5

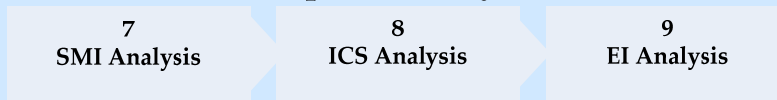
Framework of Analysis

6

Methodology

7-9

Empirical Analysis



10

Findings & Conclusions

2 CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS IN SWITZERLAND

Corporate boards worldwide have come under increasing scrutiny [...] in the face of social protest and concerns about the performance of corporations and the way they are governed. [...] Traditional forms of governance architecture are being challenged and boards are under pressure to develop a broader mindset and new skills.

[Walt and Ingley2001]:174f

2.1 Introduction

2.1.1 Goals of the Chapter

As stated by various researchers in the field, corporate governance mechanisms applied by companies, have to be analyzed regarding their embeddedness in a specific social context, e.g. [Aguilera and Jackson2003, Granovetter1985, Dacin et al.1999]. As the thesis is focused on the positive influence of the representation and interaction with stakeholders on the board of director's level in Swiss corporations, the basic conditions of the Swiss corporate governance system, which includes all legal regulations and recommendations that set up the basic background, have to be taken into consideration. Therefore the following sections will introduce the distinct features of the legal regulations and recommendations in Switzerland especially focused on the board of directors and the inclusion of stakeholders.

2.1.2 Roadmap of the Chapter

The following chapter should provide the reader with a short introduction into the development of the corporate governance regulations and recommendations in Switzerland (section 2.2) and will further outline the distinctive features of these regulations and recommendations regarding the board of directors and the inclusion of stakeholders (section 2.3 & 2.4). In order to achieve a comparability of extant empirical research in corporate governance with the empirical analysis of this thesis, the reminder of this chapter briefly outlines and positions the Swiss corporate governance system in the contrasting Anglo-Saxon (market-oriented) and European (network-oriented) corporate governance systems (section 2.5). The chapter will close with a short summary and outlook how these findings influence the reminder of our study (section 2.6).

2.2 Development of the Swiss Corporate Governance System

Enhanced by accounting scandals and the following deprivation in business confidence corporate governance has gained new practical and academic importance in recent years (see for example [Drobetz et al. 2004]:5ff; [Economiesuisse 2002]:4, [Böckli2000]:139, [Ruud and Bodenmann2002]:273, [Hofstetter2002]:975ff). Stir causing cases of careless management and control in corporations like Woldcom, Enron or in

Switzerland Philip Holzmann and the SAir Group, for whose crises members of the supervisory board and board of directors are made jointly responsible, moved not only the topic corporate governance but also the board of directors into the public field of attention and forced enterprises and the legislator to act. Therefore in many countries obligatory and non-obligatory codes, guidelines and laws were issued mainly focused on recommendations to win back the confidence of investors. Switzerland takes no exception in these national and international developments and its corporate governance system faced significant pressures of reforms in recent times. The following timeline (Figure 5) illustrates the development of corporate governance regulations and recommendations for companies acting in the Swiss legal context.

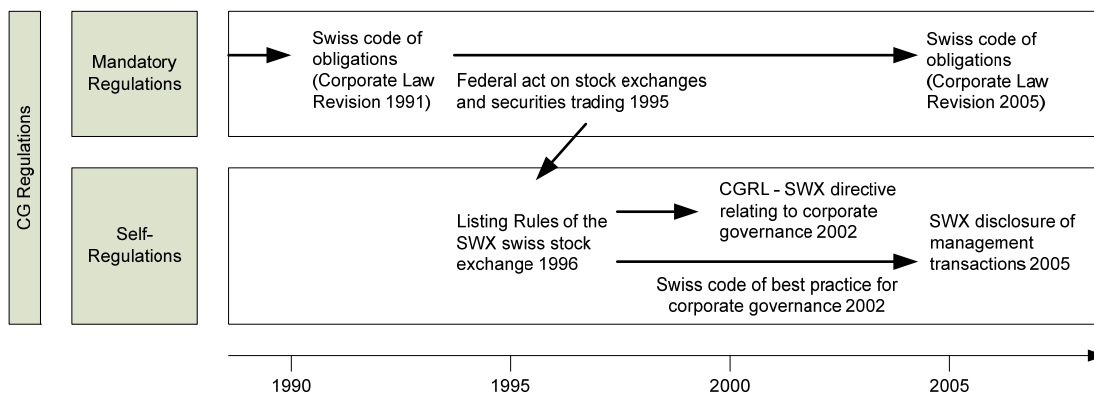


Figure 5: Development of Regulations and Recommendations regarding CG in Switzerland

As a mandatory regulation the Swiss code of obligations (Corporate Law, Share Transaction Law (OR 620 ff.), Stock Exchange Law) applies for all joint stock companies (Aktiengesellschaft) in all industries and sets the basic legal background for the corporate governance system as well as for the tasks, responsibilities, composition, structures and processes of the board of directors. However a comprehensive adjustment was missing, and in particular for foreign investors it was not simple to gain an overview of the spread existing rules regarding corporate governance or especially to value the corporate governance system applied by Swiss corporations in a comparative manner. Also under pressure of international corporate governance reforms (e.g. Sarbanes Oxley Act) this led to the development of the CGRL by the SWX and the Swiss code of best practice by the Economiesuisse in 2002. The two sets of rules developed almost at the same time and complement each other in order to strive for an increased transparency and comparability of the corporate governance systems applied by Swiss corporations.

In the following we will outline the current legal background of Swiss companies regarding their corporate governance systems focused upon the tasks and responsibilities of the board of directors as stated by the Swiss code of obligations from Swiss corporate law. Furthermore we will focus in the following on joint stock companies which is by far the most widely used legal form in Switzerland and the focus of interest in the traditional corporate governance debate. The following section

will therefore additionally refer to the regulations and recommendations of the SWX and the Economiesuisse in order to provide an overview on the practical and legal background of corporate governance in Switzerland.

2.3 Swiss Legal Regulations and Recommendations in Corporate Governance

The corporate governance system of a company is generally shaped by its legal form (Rechtsform). As already stated above, the legal form of the joint stock company is widely used in Switzerland by all kinds of companies, from very large, internationally operating companies, listed at the Swiss Stock Exchange to very small, family owned firms not listed on any stock market⁴. By this broad application the Swiss stock corporation law (AR) leaves a large amount of discretion to the companies in designing their corporate governance system due to their specific needs. In general a joint stock company has to establish three organs, as minimum structure of the corporate governance system under stock corporation law:

- An **annual general meeting of shareholders** (Generalversammlung, GV), which votes on / decides upon the company's articles, elects the members of the other two organs, accepts the annual financial statements and approves the distribution of profits.
- A **board of directors** (Verwaltungsrat, VR), which manages, supervises and externally represents the company.
- An **independent external auditor**, who ensures that the annual financial statement is in compliance with corporate law and company articles.

The drawbacks of this flexibility in law can be seen in a high variation of corporate governance structures, decreasing their comparability as well as a low obligation for disclosure, decreasing transparency, due to the lax restrictions in corporate governance by Swiss stock corporation law. Therefore it can be assumed that joint stock companies not listed on the Swiss Stock Exchange and by that not obliged to any further legal restrictions and recommendations, hardly disclose any information concerning their governance structures. The thesis is therefore focused on listed companies in the following.

Joint stock companies listed at the Swiss Stock Exchange (SWX) additionally have at least to comply with the corporate governance regulations of the SWX (CGRL), which entered into force on 1 July 2002 and was first revised in 2005 (forthcoming into force in 2007). Further compliance for Swiss listed joint stock companies is not obligatory by law but in order to strive for a good example in corporate governance many listed companies additionally comply with the Swiss Code of Best Practice, issued by the Economiesuisse in addition and extension of the rather broadly formulated minimal

⁴ In 2005 28% of all companies in Switzerland are joint stock companies (see <http://www.bfs.admin.ch/bfs/portal/de/index/themen/06/02/blank/key/01/rechtsnorm.html>), 20.12.2007

disclosure regulations of the SWX in 2002. As stated by the SWX as well as by the Economiesuisse the term "Corporate Governance" thereby refers to all of the principles aimed at safeguarding shareholder interests⁵ and a specific stakeholder focus was not applied. While maintaining decision-making capability and efficiency at the highest level of a company, these principles are intended to guarantee transparency and a healthy balance of management and control. Both rules require the companies to disclose important information on their board and senior management (or to give substantial reasons why this information is not disclosed) on a "comply or explain" The principle of "comply or explain" thereby acknowledges that companies need sufficient discretion in structuring themselves and that there may be situations where a company can benefit from not adopting a governance prescription. If the company faces such a situation and does not comply with the guidelines it needs to explain the reason in its annual report or governance publications. The explain clause, however, was applied in only two cases of 265 company as stated by a study of the SWX in 2003.

Details on what information needs to be published are indicated in the Annex to the Directive on Information Relating to Corporate Governance of the SWX and can be summarized in the following nine main topics: Capital structure, Group structure and shareholders, Board of directors, Senior management, Compensation, shareholdings and loans, Shareholders' participation, Changes of control and defence measures, Auditors and Information policy. The following subtopics regarding the information provided on the board of directors are for the thesis of special interest, as the thesis relies in its empirical part on these information, they will briefly be outlined:

Members of the board of directors	<i>name, nationality, educational and professional background, executive/non-executive member, significant business connections</i>
Other activities and vested interests	<i>activities in governing/supervisory bodies, management/consultancy functions, official functions or political posts</i>
Elections and terms of office	<i>election procedure and limitations in terms of office</i>
Internal organizational structure	<i>allocation of tasks, work method and committees, its members and responsibilities</i>
Definition of areas of responsibility	<i>responsibilities between the board and senior management, Information and control instruments vis-à-vis senior management</i>

In order to check how successful the implementation of the CGRL was, the SWX commissioned in 2003 the Institute for Accounting and Control of the University of Zurich to conduct a study based on the annual reports of 256 companies listed at the

⁵ See http://www.swx.com/admission/being_public/governance_en.html for the corporate governance definition applied to the CGRL by the SWX, 20.12.2007

Swiss Stock exchange⁶. The study revealed that on average the implementation level among the 265 companies is 85%, while 110 companies achieved an implementation level of over 90%. There are differences between the implementation levels of the various sections of the CGRL. The lowest compliance was achieved in connection with "Group structure and shareholders" (74%) and "Information policy" (81%), the highest in connection with "Auditors" (95%), "Changes of control and defense measures" (92%), "Compensations, shareholdings and loans" (91%) and "Board of directors" (91%). Particularly high results were achieved by SMI companies with an average implementation level of 92% while the ten best SMI companies achieved 96%. Thereby with the implementation of the CGRL the quality and transparency of the information provided to shareholders and interested stakeholders by the annual reports of companies listed at the Swiss stock exchanged increased by 33% (from 52% in 2001 to 85% in 2002)

Although the CGRL as well as the Good Practices in Corporate Governance Directive of the Economiesuisse increased quality and quantity of data available on the corporate governance structures of companies, these corporate governance guidelines take the drawback that they are too vague and do not provide much guidance as to what a governing board is actually supposed to do as stated by many practitioners and researchers in the field. We therefore outline in the following sections regulations regarding the board and recommendations, with a special emphasis on their influence for the board of directors, in its task definition as well as composition and structure.

2.4 The Board of Directors under Swiss Corporate Law

In contrary to the European two-tier Board system, where a company has a strictly separated supervisory and management board, the Swiss corporate law generally constitutes a one-tier board system called „Verwaltungsrat“ but allows the division of labor by delegation of executive functions to some of the board members or any group of other persons. For every delegation of work and functions the board needs an authorization in the corporate statutes and the approval of the shareholder meeting (OR 716b). Therefore Swiss joint stock companies have a large degree of discretion in designing their board of directors which can be illustrated by Figure 6.

⁶ See "Studie zur praktischen Umsetzung der Corporate Governance-Richtlinie", Prof. Dr Conrad Meyer, Institute of Accounting and Controlling of the University of Zurich, The full study commissioned by the SWX in 2003 can be found under: http://www.swx.com/download/admission/being_public/governance/cg_study_de.pdf, 20.12.2007

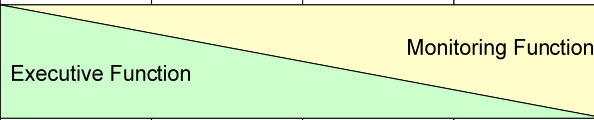
Board Model	Unitary Boards	Delegate of the Board	Supervisory board and management team with overlap	„quasi-dual“ board structure
Board Functions				
Short Description	The board manages the firm and supervises itself	Executive tasks are delegated to one member of the board	Executive tasks are delegated to a management team; board is composed of insiders and outsiders	Executive tasks are delegated to a separate management team; board is composed solely of outsiders
Application in Practice	Small Firms	Medium Sized Firms		Large Firms

Figure 6: Simplified Board Models in Switzerland (Wunderer, 1995:37).

While in a two-tier board system, the supervisory board is focused on the monitoring and service role whereas the management board takes strategic decisions and leads the company, in a one-tier board system the board of directors needs to fulfill all three board roles of strategy, monitoring and service simultaneously. The two different board systems both have their strength and weaknesses as summarized in the following [Maassen1998]:19ff:

- The major advantage of the two-tier board system is based on the strict personal separation between the two boards and by this the supervisory board is expected to be more independent and more attentive in its monitoring function.
- The major advantage of the one-tier board system is based on the information centralization by only one single board, which receives all relevant information from the top management team and is involved in strategic decision making.

Many corporate governance experts favor a one-tier board system but highlight the importance of a clear separation of the different board roles through the establishment of appropriate board committees with independent directors as well as a division of labor by delegation of executive functions to some of the board members or any group of other persons. 68% of the boards of directors of the examined companies implement committees. 54% of the examined companies have an audit committee.

Although the „quasi-dual board structure“ resembles the European two-tier board system Swiss boards always have strategic responsibilities that they cannot delegate to senior managers. Therefore a clear separation of the supervisory and the executive

function is not possible under Swiss Corporate Law⁷. As stated by the SWX study 89% of the board members in companies listed at the SWX are non-executive and therefore do not exert operational or executive functions. Although in 21% of the analyzed companies, the chairman of the board is also the CEO.

2.4.1 Legal Responsibilities of the Board

The legal tasks of the board of directors are regulated in the stock corporation law articles OR 707-726 and OR 754. In general, the board of directors has to decide on every issue that is not explicitly assigned to the shareholder meeting or by law or corporate statutes (OR, 716) to a separate management team. Additionally, Swiss corporate law lists a number of responsibilities of the board that can neither be delegated to executive managers nor withdrawn by the general shareholder meeting (OR, 716a). It is important that each individual member of the Board of directors is aware of these legal tasks, which can be summarized as follows:

- **Strategic corporate leadership including the definition of the company's strategy, structure and culture:** The board is responsible for the creation of the system basics and the framework, in which the operational guidance has to maneuver (middle- to long-term objectives). The adjustment of the firm's structure to its strategy and the creation of a suitable corporate culture therefore belong to the board's responsibility. Defining the corporate organization embraces the duty to set up a formalized organizational regulation, which outlines the overall structure at the top of the corporation. If management is delegated, a document has to specify the job descriptions and reporting rules for executive management [Böckli1994]:24 as well as the division of labor among the board and the executive management in order to provide arbitrariness-free and person-independent management. In summary, the strategic corporate leadership responsibility of the board therefore includes the setting of strategic objectives, the allocation of resources in a way that these objectives can be achieved, the instruction as well as the supervision of executives in pursuing these objectives and the formalization of and adoption to the overall statutory framework of the organization.
- **Adoption of an appropriate financial system:** In accordance with article OR 716 section 3, the board has the financial responsibility (corporate accounting, financial planning and controlling), which includes that the board ensures an appropriate financial system as well as the adoption of this system to changing requirements [Böckli1994]:27ff, [Müller et al.1999]:125ff. The fulfillment of this task requires a standardized and regular cooperation between the board and the external as well as internal auditing instances of the company. This cooperation with external and internal auditors serves on the one hand as an additional source of information for the board and on the other hand enhances

⁷ Swiss banks are an exception as far as discretion is concerned. Although there is a clear personal separation of executive management and board members stipulated by law, the board still holds the responsibility for basic strategic decisions.

the independence of auditors from executive management and thus increases the quality of the auditing process [Stenz and Schweizer2001]:36.

- ***Nomination, supervision, support and dismissal of executives:*** The quality of a board as well as of the executive management team stands and falls with appropriate personnel selection. Therefore special focus must be set on the interdisciplinary composition, a purposeful performance review, adequate remuneration and continuous encouragement of the executive management by the board members. The board is therefore obliged to utmost care when nominating, instructing and supervising executives [Zahn1998]:18 and is allowed to withdraw the delegation of managerial functions and thus to dismiss executives if necessary at any time [Forstmoser et al.1996]:343. In addition, the supervision of executive management encompasses the directors' duty to stay informed and therefore opens up an additional source of information for the advising of senior directors in their decision making [Böckli1994]:17.
- ***Communication and Representation:*** The board is responsible for an equitable, transparent, reliable and confidence building communication inside and outside the organization. As a minimum function this includes the presentation of annual reports and organization of shareholder meetings.
- ***Risk and Crisis Management:*** The board has the obligation to actively intervene whenever the company faces a crisis [Zahn1998]:15 or substantial risks. As a final step this involves the obligation of the board to inform a judge in case of excessive corporate debt and declare bankruptcy.

In practice, the question arises as to what the meaning of these responsibilities actually is. With regard to the overall strategic corporate leadership function Böckli argues that it is not the board's responsibility to be actively involved in every phase of the strategic decision making process [Böckli1994]:18f. The preparation of decisions, the gathering of information as well as the development of alternative decisions and scenarios can be delegated to executive managers or a board committee instead. However, the board should always take the final decision, which it can be held responsible for. In addition Böckli states that the supervisory function of the board is not an obligation for a legal audit of executives, which should only be initiated when there are doubts about the legal conformity of executives [Böckli1996]:813.

2.4.2 Legal Duties of the Board

Together with the definition of the board's task, the Swiss corporate law also defines some of the board's duties. Based on the duties of „good faith“, „care“ and „secrecy“, board members in Switzerland - and all other persons who are in charge of business management - have to fulfill their tasks with the necessary diligence and secrecy and have to protect the interests of the company:

Die Mitglieder des Verwaltungsrates sowie Dritte, die mit der Geschäftsführung befasst sind, müssen ihre Aufgaben mit aller Sorgfalt erfüllen und die Interessen der Gesellschaft in guten Treuen wahren.[OR 717 section1]

Every board member and senior manager can be made liable for intentionally or carelessly neglecting these duties (OR 754). While corporate leaders are not liable for taking wrong managerial decisions, negligence is already assumed if a corporate leader should have foreseen damage or at least the danger of damage when being appropriately vigilant [Pedrazzini1998]:324. In these cases the company itself, its shareholders and in certain cases even creditors can initiate a liability claim against a board, which have been sharply rising in number during the last decade but with mixed outcomes in court decisions [Forstmoser et al.1996]:434ff, [Müller et al.1999]:199.

- **Duty of good faith:** Based on the legal „duty of good faith“, to act in the interest of the company, the question of what the interests of a company are arises. Wallman defines the corporation's interest as *„enhancing its ability to produce wealth indefinitely - [...] both profit from today's activities and expected profit from tomorrow's activities“* and therefore provides the basis of a new interpretation of what it means for directors to act *„in the interests of the corporation“* [Wallman1991]. Defining the interests of the corporation in terms of maximizing the wealth producing potential of the enterprise and linking the interests of the various constituencies to the interests of the corporation *„resolves much of the tension that would otherwise exist from competing and conflicting constituent demands“* [Blair 1995a, Wallman1991].
- **Duty of care:** The legal „duty of care“ implies that the board must be very careful in fulfilling its responsibilities. Regarding the nomination of board members the „duty of care“ applies to the acceptance of a board mandate due to the individual characteristics and situation of a board member. Therefore a potential director has to carefully evaluate by himself whether he has the capabilities and independence that is required for the board mandate [Böckli1996]:848. Economists (35% in the boards of directors and 42% in the management boards) and lawyers (20% in the boards of directors and 6% in the management boards) dominate the governing bodies of Swiss companies.
- **Duty of secrecy:** The „duty of secrecy“, means that every director is obliged to keep all important business information that he has access to confidential [Müller et al.1999]:177f.

2.4.3 Legal Rights of the Board

To fulfill its duties a director needs sufficient access to corporate information. Because directors are extensively liable, and obliged to treat information confidentially, the boards' information rights outweigh the company's interest to preserve business secrets. On the other hand, as stated above, board members do not only have the right to demand information but also have the duty to stay sufficiently informed on any important business [Böckli1994]:87. During board meetings each individual board member has the unconstrained right to demand information on any business of the company, while outside the official board meetings the individual board members request for further information requires the permission of the chairman [Forstmoser et al.1996]:306ff. Whenever the chairman denies a director's request, the whole board

decides on the appropriateness of the demand. If the request is once again rejected, the director has no further possibility to appeal against this decision but can only resort to giving up his mandate. Similarly, each board member has the right and the duty to participate and to vote in board meetings. Basically each board member has one vote whereas in the event of a deadlock the chairman has the casting vote. If a director is not satisfied with a decision taken by the board or if he has voted in a different way due to his deepest conviction than the majority of the board members he cannot appeal against the board's decision but can only step back from his mandate. Whenever a board member gives up his mandate a strong signal is sent to the shareholders as well as the company's stakeholders and should therefore be carefully taken into consideration by the individual board member and the board or the chairman of the board in their decisions taken [Müller et al.1999]:94.

2.4.4 Legal Restrictions on the Composition of Boards

The following sections shortly summarize the most important factors of board composition as influenced by the legal context of the Swiss Corporate Governance System:

Board Size: Swiss corporate law does not restrict board size (OR 707) although there are various recommendations and empirical findings concerning the maximum and minimum number of board members for successfully operating boards. The theoretical context as well as the empirical findings of these restrictions will be outlined in the following chapter regarding the underlying motivations and assumptions. As stated by the SWX study in 2003 the 265 companies listed at the SWX have an average of 7 members in their boards of directors and 5 members in their management boards.

Age and Tenure: The tenure of a board member lasts three years as stated by Swiss corporate law if the company articles do not contain any other rules. The duration of tenure can be prolonged by the company's statutes up to a maximum of six years (OR 710), whereas the re-election of a director is always possible. Therefore in practice no restriction in the duration of a board members mandate is made by corporate law and a board member can stay on a board as long as he is reelected by the general assembly of the shareholders. However, company articles may include a limitation of age, which is set in many companies at the age of seventy [Wunderer1995]:81.

Nationality: A rather old-fashioned legal requirement is that the majority of board members need to be Swiss citizens and have to be home based in Switzerland. The federal government can allow exceptions for holding companies that own a majority of its subsidiaries abroad (OR 707). In practice and as stated by the SWX study the percentage of foreigners in the boards of directors is 21%, their percentage in the management boards 32%.

Gender: The percentage of women in the boards of directors is only 4%, their percentage in the management boards a modest 3%.

Stakeholder Orientation: In order to fulfill this duty of good faith OR 717 implies some important restrictions concerning the nomination and behavior of board

members that are particularly interesting for the analysis of board-stakeholder relationships:

- *Shareholders*: Although the Swiss corporate governance system can be defined as network oriented (see section 4.2: Corporate Governance Systems) it is more shareholder oriented than in other European countries, where companies are legally forced to take on a stakeholder concept. This can be illustrated by the legal obligation on board composition that every director has to be a shareholder, however the ownership of one single share is sufficient. This regulation in board composition sets a strong signal and emphasizes the major role of boards as a link between company management and shareholders. Therefore it is the board's duty to protect the interests of shareholders and directors who are shareholders by themselves share the same rights as shareholders and are better able to identify with these interests [Böckli1996]:753. Additionally legal regulation allows every share category issued by the company to be directly represented by the board of directors. Furthermore the „duty of good faith“ includes that the board has to treat all shareholders equally and is not allowed to engage in any insider trading of company shares [Müller et al.1999]:167ff.
- *Competitors*: A director is forbidden to be affiliated with a competitor of the focal company. However in practice this rule is not enforced.
- *Other Stakeholders*: Each board member has to be independent of any instructions from third persons or another company.

2.5 Major Differences in Corporate Governance Systems

The Swiss corporate governance system is still developing both by regulations or recommendations as well as by business practice. An introduction into the current state and upcoming issues of the corporate governance debate in Switzerland therefore seems to be helpful in order to clarify the practical importance of the study undertaken in this thesis as well as the identification of theoretical and empirical gaps for further research. In order to achieve the objectives of this chapter the following section briefly outlines the contrasting systems of Anglo-Saxon (market-oriented) and European (network-oriented) Corporate Governance as stated and named by various researchers [Hall and Soskice2001, la Porta et al.1999]. Many differences exist between different countries that belong to the same category as for example between the UK and the US (market-oriented system) as well as between Germany and Switzerland (network-oriented system). Nevertheless the categorization gives an idea of the various characteristics, objectives and motivations of different institutions that exist and shape the systems. This seems to be especially important for this study as the theories developed as well as the empirical findings of extant research on the issue of corporate governance and the board of directors mainly originates in Anglo-Saxon Countries. As the corporate governance system of these countries is however different from the corporate governance system in Switzerland it seems to be important to show the major differences between the national systems in order to analyze the applicability of

prior academic findings for the framework development of the thesis. Furthermore the Swiss corporate governance system is the broader context by which the propositions of the thesis regarding stakeholder influence and interactions on the board of director's level are theoretically developed and empirically analyzed. The specific features of the national governance context therefore influence the data analysis as well as the interpretation of the empirical results. **Fehler! Verweisquelle konnte nicht gefunden werden.** therefore provides a short summary of the major differences between the Anglo-Saxon (market-oriented) and the European (network-oriented) system, to which the SCGS belongs. The shaded cells indicate the positioning of the Swiss corporate governance system in this dyadic clustering of systems.

Dimension	Market-oriented System	Network-oriented System	Author / Source
Main orientation	Maximize shareholder return	Balance the interest of all stakeholders	[Bishop1994]
Board Structure and Composition	One-tier board; well established and required board committees	Two- or One-tier boards; often with direct stakeholder representation; board committees are still less common	[Kaplan1997]
Board Processes	More frequent board meetings; power concentrated within CEO / Chairman	Less frequent board meetings, rather collective decision-making style	[Pic1997]
Transparency	Extensive public information sharing; strict rules against insider trading	Limited publication requirements; loose insider trading rules	[Fukao1995] [Charkham1995]
Major outside governance mechanism	Market for corporate control; stockholder lawsuits	Banks, large shareholders or other stakeholder interventions	[Franks and Mayer1990] [Kaplan1997]
Banks / Role of banks	Fragmented banking system; markets as main source of capital; transactional lending; restricted bank share ownership	Universal banks as main source of external capital; relationship lending; bank ownership not restricted; banks have an active role in governance	[Scott1997] [Demirag1998] [Kaplan1997]
Shareholder / Ownership structure	Private, dispersed with increasing power of institutional investors	Concentrated family ownership; frequent cross-shareholdings and company ownership	[la Porta et al.1999]

Table 1: Selected Characteristics of Corporate Governance Systems.

2.6 Summary and Conclusions

Therefore the most important distinctive features of the corporate governance system in Switzerland can be summarized as follows:

- The market for corporate control is more or less ineffective in Switzerland. Also the external labor market does not exert high pressure on senior executives and board members. The pool of candidates for top leadership positions and board mandates is rather small, strongly interconnected and bad performance records have only little effects on future career opportunities.
- Although focused upon and included in the Swiss corporate governance system, shareholders are traditionally passive and do not fully exercise their rights in board representation. However, shareholder activism has increased during the last decades and one central issue in the protection of shareholder concerns is to enhance public disclosure of corporate information and thus increase the transparency in Swiss firms.
- As all these above mentioned external corporate governance mechanisms appear to be weak in the Swiss corporate governance system, the board of directors has to fill the gap. Legally the board has sufficient competencies and is not only responsible for the supervision of management but also actively involved in strategic decision making. Additionally, the companies enjoy large discretion in designing and adopting adequate board composition and structures.

Although many changes in the Swiss corporate governance system were undertaken in recent years that enlarged transparency and empowered boards, there is still a strong debate on some of the reforms as well as the future development. This development has several drawbacks because it focuses only on company internal principles or rules and does not include corporate responsibility to stakeholders. Due to the fact that the regulations consider stakeholder aspects only to a small extent, a systematic discussion of the appropriate role of stakeholder relationships at the board level seems vital to investigate sources of organizational wealth. The thesis aims to contribute to this debate by analyzing the determinants of stakeholder representation on the board of director's level, in its composition and structure as well as by providing insights into the potential outcomes of these board-stakeholder relationships. The thesis tries to open up the question for a more general stakeholder orientation in corporate governance systems and structures Switzerland.

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CHAPTER 3

1

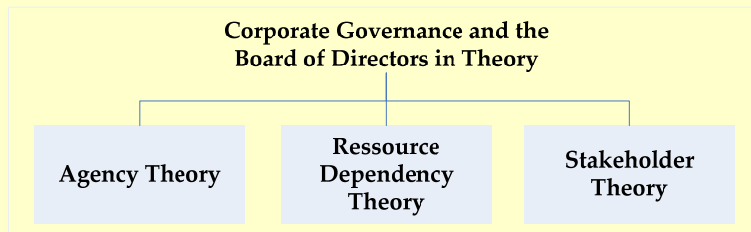
Introduction

2

Corporate Governance & the Board of Directors in Switzerland

3 & 4

Theoretical Background



5

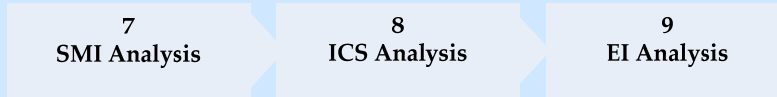
Framework of Analysis

6

Methodology

7-9

Empirical Analysis



10

Findings & Conclusions

3 CORPORATE GOVERNANCE IN THEORY

So long as the management has the one overriding duty of administering the resources under its control as trustees for the shareholders and for their benefit, its hands are tied; and it will have no arbitrary power to benefit from this or that particular interest. But once the management of a big enterprise is regarded as not only entitled but even obliged to consider in its decisions whatever is regarded as of social interest, or to support good causes and generally to act for the public benefit, it gains an uncontrollable power – a power which would not be left in the hands of private managers but would inevitably be made the subject of increasing public control.

Hayek, F.A. (1979)

3.1 Introduction

3.1.1 Goals of the Chapter

This chapter contains of two main elements: first, an introduction into the field of corporate governance, its development, understanding and definitions; second, an introduction to the theories that underlies the diverging corporate governance understandings, as well as their implications on the governance systems of the company. The chapter therefore tries to answer the following questions:

- *What does the term corporate governance stand for and how is it defined in the context of the thesis?*
- *Which are the main theoretical perspectives in corporate governance related to the different corporate governance understandings?*

The present chapter serves the purpose of introducing the basic understanding of corporate governance as it is applied to the thesis and outlines the theoretical assumptions of Agency Theory, Resource Dependency Theory and Stakeholder Theory which guides our further understanding of corporate governance and the board of directors.

3.1.2 Road Map of the Chapter

After a brief introduction into the field of corporate governance the following chapter provides a concentrated overview on the understanding of the term corporate governance in the extant literature (section 2.2). We outline the narrow and broad understanding of corporate governance in order to give a rationale for the chosen understanding and underlying theories relevant for the further analysis of boards and the corporate governance systems of companies (section 2.3). The chosen theories will in the following be outlined by their theoretical background as well as their implications for the corporate governance system of a company (section 2.4). A brief summary highlights the relevant findings from each theory for the development of the board understanding and the analysis of boards in the following chapter (section 2.5).

3.2 Corporate Governance Understandings

The term corporate governance has been widely used in recent years. And as a result, different definitions were formulated, basically reflecting the special interests as well as underlying theories in the field⁸. Corporate governance definitions are therefore often biased and reflect the values of those using them. Accordingly the many obligatory or non-obligatory codes, guidelines and laws that were issued all draw on different corporate governance definitions but mainly focused upon granting shareholder rights. Parallel to this movement various institutions as well as shareholder activists and stakeholder theorists demand a broader understanding of corporate governance which draws on the importance of stakeholder relationships and the responsibility towards stakeholders in corporate decision making processes. The recent corporate scandals thereby invoke questions about rethinking and a search for alternative paradigms of corporate governance.

There is a need for a more fundamental and holistic thinking that involves alternative paradigms to replace or complement the ruling shareholder value ideology

[Huse2007]:57

Referring to this need the following sections illustrates the differences in the corporate governance understandings and definitions and outlines the two basic understandings of corporate governance in more detail⁹. In summary and as stated by [Keasey1997] the range of existing corporate governance definitions can be portrayed as follows:

In its narrowest sense, the term [corporate governance] may describe the formal system of accountability of senior management to the shareholders. At its most expansive, the term is stretched to include the entire network of formal and informal relations involving the corporate sector and their consequences for society in general.

[Keasey1997]:2

This range of corporate governance definitions can be outlined by the following illustration (Figure 7):

⁸ See for example [Monks and Minow 2002]:1, [Millstein1998]:13, [Vives2000]:1, [Demb and Neubauer1992]:2, [Cadbury1992]:15 and [Hart1999]:240.

⁹ Annex A of this thesis provides a short overview of corporate governance definitions relating to the specific research approaches and interests of the researcher and institutions in this field.

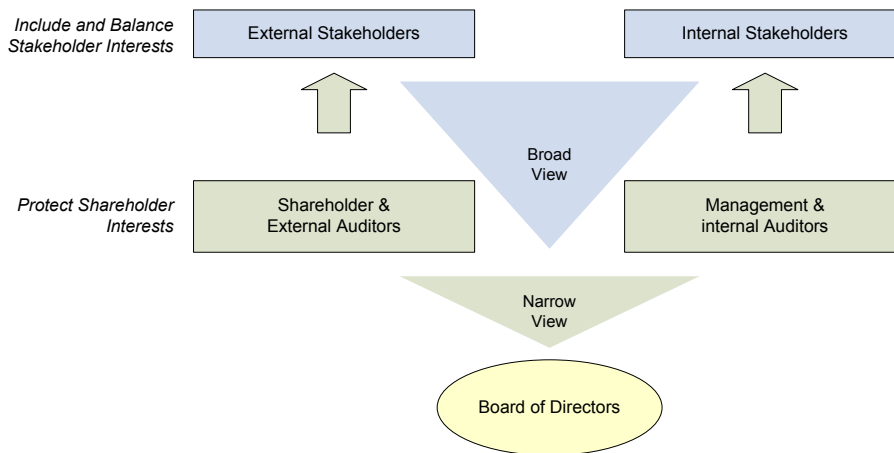


Figure 7: Corporate governance definitions from narrow to broad.

While in a narrow perspective the boards' relationships and responsibilities are limited to shareholders, management and auditors the board of directors takes in a broad view a gateway function between the companies internal and external relationships [Böckli2000]:33. Thus, the board of director's role in a broad corporate governance understanding is about balancing the internal relationships between managers, shareholders and auditors with the external relationships between the company and its environment. A fundamental goal of corporate governance is thereby the creation of organizational wealth and to ensure the long-term survivability of the organization.

Table 2 provides a brief summary of the implications from the different corporate governance understandings.

	Narrow Shareholder CG Understanding	Broad Stakeholder CG Understanding
Purpose	Maximize shareholder wealth by corporate governance mechanisms (external and internal monitoring and control) to align the principals' interest and the agents' actions.	Pursue multiple objectives of parties with different interests in order to gain benefits and reduce risks for the company and the society
Company Understanding	The corporation is regarded as a legal instrument for shareholders to maximize their own interests, i.e. investment returns.	The corporation is regarded as an organization in mobilizing resources for productive uses in order to create wealth and other benefits for its multiple constituents, or stakeholders (Post et al., 2002:17)
Governance Focus	Shareholder Value to maintain commitment of investors	Corporate and Stakeholder Value which includes a fair distribution of value in order to maintain commitment of stakeholders

Table 2: Summary of the findings and key distinctions between the shareholder and stakeholder perspective of corporate governance (adopted from [Kochan and Rubinstein2000]).

Today there is growing confidence that good corporate governance in a broad understanding is positively correlated to corporate value [Drobetz et al. 2004, Margolis and Walsh 2001]. As the thesis is concerned with the question on how stakeholder relationships can be implemented and how boards of directors can benefit from these relationships, reducing corporate governance to the accountability to shareholders is too narrow for the purpose of this study. The thesis therefore relies on corporate governance definitions which impact the accountability of the company and the companies' boards to other stakeholder groups as well. The most comprehensive definition in this sense was formulated by the OECD due to the increasing globalization of the capital markets. The OECD tries to consider the responsibility to all stakeholders of an enterprise in its definition and is therefore used as the point of reference for corporate governance in this thesis:

Corporate governance (...) involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined (...)

[OECD]

With a more specific regard to stakeholder rights the OECD understanding maintains:

The corporate governance framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

[OECD]

Taking the OECD definition into account corporate governance concerns the organization of leadership and control, the structure of corporate leaders, their tasks and authority as well as the management of the relationships with internal and external stakeholder groups. The thesis is focused on these relationships and interactions of the board with corporate stakeholders in a value creation perspective. It will not make any a priori assumptions about those at whom value distribution is targeted in a normative sense but instead we will focus in the following on the value creation through relationships with the external constituencies by the board of directors.

In the following we will try to outline how the theories that are underlying to this divergent understanding of corporate governance can be used in order to develop a framework that benefits both understandings and draws on the body of these theories in order to develop a comprehensive view on boards.

3.3 Theoretical Perspectives of Corporate Governance

It has been outlined in the former section that there is no general agreement on the exact definition of corporate governance. This missing general agreement is related to

the multi-theoretical approaches of corporate governance¹⁰. While the narrow definition of the corporate governance term is related to the principal-agency theory, the use of a broad corporate governance definition requires an integration of a stakeholder perspective. In corporate governance theory the resource dependency theory ranges somewhere in between by taking the relevance of stakeholders from a resource perspective into account and will therefore be outlined as a third theoretical approach in the thesis. Resource dependency theory thereby represents a first step into the direction of an understanding of stakeholders as resource providers essential for the value creation of the corporation. The adoption of the Stakeholder View approach to corporate governance theory in a next step (further outlined in chapter x) will broaden this resource by a more general benefit understanding as well as by adding a risk perspective as foundation for stakeholder involvement and interaction. Although several more theoretical perspectives are connected to the topic of Corporate Governance the thesis will in the following sections only outline the above mentioned theories due to their importance for relationships with internal and external stakeholders in supporting the boards' ability to fulfil its tasks and create wealth. Other theories concerning the role of directors in a company and with the company's internal constituencies, like the managerial/social hegemony or upper echelon theory are not in the main focus of this thesis and will not be further outlined. But as most of the research concerning a wider range of theoretical perspectives are intended as complements to – not substitutes – for agency theory [Daily et al.2003, Dalton et al.2003] we are assuming that the theories are not mutually exclusive and just highlighting different aspects of the boards tasks. We will therefore draw in the following on these three theories that have a high potential to complement one another in order to profit from each of its strengths: Agency Theory, Resource Dependency Theory and Stakeholder Theory.

3.3.1 Corporate Governance in Agency Theory

In agency theory a corporation can be described as a nexus of contracts between principals (risk bearing shareholders) and agents (managers with specialized expertise) who are engaged in cooperative behaviour but have divergent interests and attitudes toward risk [Eisenhardt1989, Jensen and Meckling1976, Fama1980, Fama and Jensen1983]. The Agency Theory follows the strictly economical approach that managers act as fiduciaries for the owners of the corporations, namely the shareholders as holders of residual claims in the companies' gains and losses. The agency theory therefore sees the owners of the company as principals and the managers as agents acting on their behalf. This implies that every decision by management should be made with the intent to maximize the shareholders' wealth, as long as these decisions and the resulting actions are within the boundaries of law. Figure 8 outlines a simple principal-agent relationship, which occurs whenever „one party (the principal) delegates work to another (the agent), who performs that work“ [Eisenhardt1989]:58, [Jensen and Meckling1976]:5. In reality this relationship is not as simple as outlined in the figure

¹⁰ For a detailed overview on the theoretical perspectives concerned to corporate governance see Hung (1998)

because one actor can be agent and principal at the same time and therefore faces the specific role inherent problems in a multi functional approach.

Agency costs are defined as the sum of the principals monitoring costs, the agents bonding costs and the remaining residual loss [Drew and Stanford2003]:99. They occur in a principal agent relationship, when the principal suffers from incomplete information about the agent's efforts under four conditions, labelled as moral hazard, bounded rationality, divergent attitudes toward risk and adverse selection. The self-interested behaviour of management, where the agent lacks sufficient effort is labelled „moral hazard“ while other motivations of self-interested strategies at the expense of shareholders might be for example pure theft, empire building, increased private benefits of control and entrenchment [Vives2000]:4, [Richter and Furubotn2003]:174. Further, caused by the dynamic and complexity of the environment, managers have to act on the basis of imperfect information and a limited set of alternatives. If they are likely to engage only in limited information gathering and in satisfying rather than profit-maximizing behaviour, the agency-problem occurring is labelled as „bounded rationality“ [Morgan1997]:78f. Third, under the assumption that the management is more risk averse than the shareholder, based on the lack of risk diversification and the fear of personal blame for unsuccessful strategies, managers prefer strategies that lower the risk of corporate failure and are therefore not always wealth maximizing for the shareholders. The fourth problem, called „adverse selection“ is concerned with the nomination of new agents and is also caused by incomplete information of the principal whether an agent has the required characteristics, knowledge and skills in order to fulfil his tasks in the interest of the shareholders.

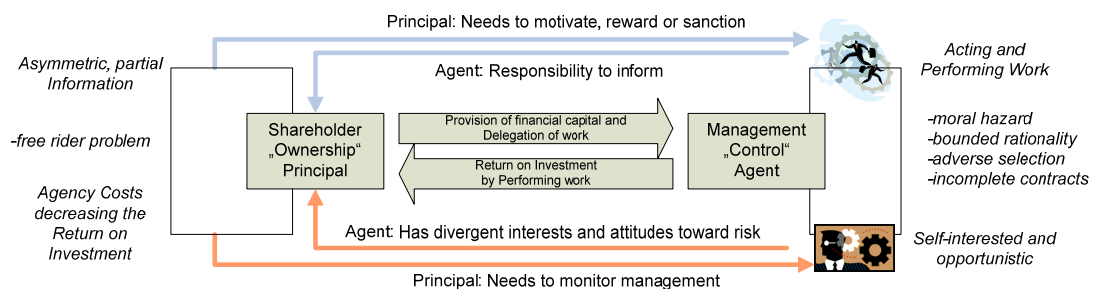


Figure 8: Illustration of the principal-agent relationship.

Due to the problem of the separation of ownership and control, basic principles of corporate governance were however already formulated in the works of [Barnard1938, Demsetz1967, Berle and Means 1932, Berle and Means1933]. Therefore it seems not to be astonishing that researchers traditionally study corporate governance within the

framework of agency theory¹¹ this overwhelming application of agency theory to corporate governance issues is based on two facts:

[...] first [agency theory is] an extremely simple theory, in which large institutions are reduced to two participants - shareholders and managers - and the interests of both are assumed both clear and consistent. Second the notions of humans as self-interested and generally unwilling to sacrifice personal interests for the interests of others is both age old and widespread.

[Daily et al.2003]

As outlined by the former section agency-problems arise, if no precautions are taken. The management has too many windows of opportunity to maximize its own wealth instead of the principals' or the companies', based on the underlying idea of human being as opportunistic and solely self-interested [Franck2002]:217. In order to decrease agency-costs and the problems in wealth maximization for shareholders, a set of various mechanisms is needed to align the divergent interests and attitudes toward risk between principal and agent [Fama1980, Fama and Jensen1983, Jensen and Meckling1976].

Figure 9 provides an overview of the different corporate governance mechanisms. Internal and external corporate governance mechanisms [Walsh and Seward1990] provide shareholders some assurance that managers will strive to achieve outcomes that are in the shareholders' interests [Shleifer and Vishny1997]. Internal mechanisms include an effectively structured board, compensation contracts and incentives that encourage a shareholder orientation as well as concentrated ownership holdings that lead to the active monitoring of executives. In academic literature the influence of compensation and the monitoring role of directors has been most commonly investigated [Coles et al.2001]. The market of corporate control, including shareholder and large creditor activism [Jensen and Meckling1976], efficient capital, executive labour and competitive product markets [Fama1980] serves as an external mechanism, which is typically activated when internal mechanisms for controlling managerial opportunism have failed. In the following we will rely mainly on the board of directors as they are in the focus of this study and seem to be the most important internal Corporate Governance mechanism [Daily et al.2003]. As the effectiveness of external mechanisms is dependent on the national settings and legal regulations we will further outline them in the context of the Swiss Corporate Governance System (SCGS).

¹¹ [Shleifer and Vishny1997, Daily et al.2003, Dalton et al.1998, Gabrielsson and Huse2004, Dalton et al.2003], based on the separation of ownership and control [Berle1932] in public companies. According to [Daily et al.2003].

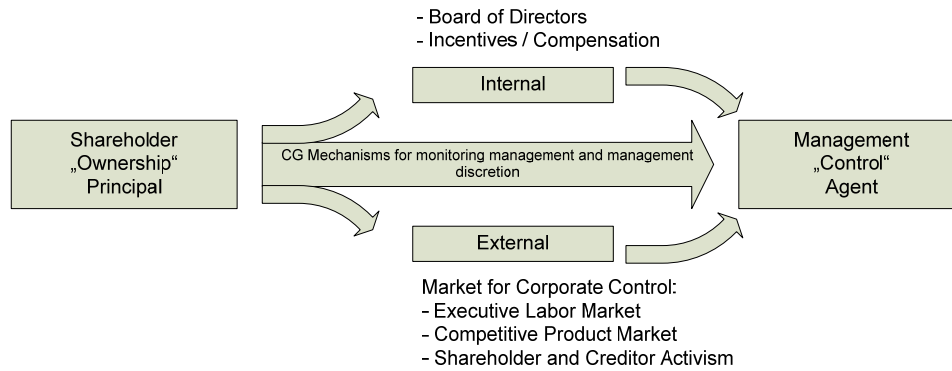


Figure 9: Corporate governance mechanisms.

As stated above, costs for the agent occur both through missing precautions as well as through the application of these mechanisms to a greater or lesser extent. Corporate governance is therefore usually conceived of in terms of mechanisms available to minimize these agency problems and costs [Shleifer and Vishny1997] – or in other words – in its attempts to reduce agency opportunism [Jensen and Meckling1976, Jensen1983] and decrease information asymmetries [Hawley and Williams2000] by efficient mechanisms. The central task of corporate governance based on the agency theory is therefore the solution of the principal-agent problem under minimal agency costs or the question of how to get self-interested and generally unwilling corporate managers to act as loyal and committed agents for the shareholders or principals of corporations in order to decrease agency costs [Jensen and Meckling1976], [Fama and Jensen1983]:156. In this context it seems not to be surprising, that the focus of empirical corporate governance research based on agency theory „[...] is on the efficacy of the various mechanisms available to protect shareholders from the self-interested whims of executives“ [Daily et al.2003].

Conclusions from Agency Theory

As „the rights of creditors, employees and others are strictly limited to statutory, contractual and common law rights“ [Allen1992] in an agency perspective, the boards interaction processes seem to be limited to shareholders, managers and auditors. This perspective does not seem to be sufficient for the aim of this study although it should not be neglected that shareholders and management are important stakeholders of the board of directors. While moving towards a knowledge based economy many of the underlying assumptions of agency theory can be critically questioned or even considered as empirically wrong in knowledge or resource based perspective (see [Blair 1995a]). This calls for a broadening of the single principal-agency relationship to the management of multiple-principal relationships on the board of director's level.

3.3.2 Corporate Governance in Resource Dependency Theory

Resource dependence theory was first proposed by [Salancik and Pfeffer1978] who centred on the importance of resources for the survival and efficient functioning of the firm. In resource dependence theory corporations are seen as an open system [Katz and Kahn1966] embedded in a broader societal and historical context. The basic assumption

of this theoretical approach is that companies must constantly struggle to survive while the key to survival is organizational effectiveness or an organizations' „ability to create acceptable outcomes and actions“ [Salancik and Pfeffer1978]:11 by acquiring resources from the environment. The theory is essentially based on the premise that resource interdependence relationships exist between organizations and their stakeholders. Therefore companies are to a varying degree externally controlled, arising from the fact that companies' inputs and outputs depend to a great extent on the resources provided by internal and external actors.

The dependency of the company on these resources arises according to [Salancik and Pfeffer1978]:44 by the following assumptions:

- The importance of the resource to the focal organization involving the relative magnitude of the resource (the percent of the organization's total resources that it represents) and the „criticality“ of the resource (the ability of the organization to continue functioning in the absence of the resource)
- The outside group's discretion over the allocation and use of the resource. Discretion can derive from possession, access, use or ability to make rules and regulations.
- The concentration of resource control. An organization is more dependent to the extent that the resources it needs come from one, or a few, suppliers¹².

By this dependency the company has to strategically consider and actively manage the relationships to these resource providers as they face a strong environmental dynamic and uncertainty, which might endanger the long term viability of the company. According to Salancik and Pfeffer environmental uncertainty as well as managerial discretion can be reduced by the establishment of long-term, institutionalized relationships with interdependent resource providers [Salancik and Pfeffer1978]:161. Whilst the idea of corporate dependency upon holders of strategic resources seems to be clear, the identification of the relevant resource providers is more complex and strongly depending on the definition and interpretation of the resource term. [Salancik and Pfeffer1978] originally defined resources as either financial, physical (e.g. labour, raw materials, distribution channels) or informational. Whereas the dependency of the company on tangible resource holders can be evaluated by the above mentioned determinants, the identification and valuation of intangible resources and their holders seems to be more problematic. Based on resource dependency theory a company has generally two choices to respond to this dependency upon resource providers [Pfeffer1982]:

- organizations will incorporate the demands made by external actors or organizations upon whose resources they are heavily dependent
- organizations will try to minimize that dependence when possible

¹² Pfeffer and Salancik mention in this context that any regulation increases the concentration of resource control, because those who want greater access to the resource can then attempt to influence the regulators instead of the suppliers.

But the establishment of such relationships causes some serious problems. While these external relationships are closely interrelated to the problem of inter and intra organizational power [Pfeffer1987]:27 corporate executives and directors have to weigh up two conflicting goals: the reduction of uncertainty versus the preservation of the discretion in corporate decision making.

Conclusions from Resource Dependency Theory

In broadening the conceptualization of the principal-agency theory, [Blair and Stout 2001]:409 note that the directors' responsibility is not exclusive to shareholder value maximization; rather they serve as „mediating hierarchs' charged with balancing the sometimes competing interests of a variety of groups that participate in public corporations“. Blair and Stout's analysis also suggests that directors need a higher degree of discretion in allocating corporate resources compared to the principal-agent model. Resource dependency theory adopts this perspective in as so much as it considers external stakeholders according to their ability to provide strategic resources relevant for wealth creation of a company. From an economic point of view the interest is aimed at stakeholders, which exert control and power over a firm by their resource ownership or their ability to influence the access to relevant resources. Resource dependency theory therefore proves to be an important contribution to our framework as it directs the focus of the board of directors to stakeholders controlling or offering access to relevant resources of a company while not neglecting the importance of shareholders, managers and auditors as stated by agency theory.

3.3.3 Corporate Governance in Stakeholder Theory

Stakeholder theory as part of a broader business and society research (BSR)¹³ crystallized out of the need for a new conceptual framework for management practice in increasingly complex business environments. In contrast to extant traditional models it combines „organizational management and ethics“ [Phillips et al.2003]:480 and therefore provides an alternative way to understand the firm and its environment, focusing not only on single relationships, but also on the network of relationships with a variety of stakeholders [Asher et al.2005, Nag et al.2005]. From other approaches in the business and society research stream stakeholder theory stands out for its managerial usability that allows various theoretical and practical applications and is therefore chosen from business and society research as the underlying theory in this thesis.

¹³ BSR analyzes the mutual relationship between economic institutions and society and offers an umbrella to various research streams that are partly overlapping and interrelated with each other ([Waddock2004], like Corporate Social Responsibility (CSR), e.g. [Carroll1991], Corporate Social Responsiveness (CSR2), e.g. [Carroll1979, Epstein1987, Frederick1994], Corporate Citizenship, Sustainability, Business Ethics, e.g. [Freeman and Gilbert1992, Donaldson and Dunfee1994], Corporate Social Performance, e.g. [Wood and Gray1991, Clarkson1995], etc., Stakeholder Theory, e.g. [Freeman1984, Donaldson and Preston 1995, Post et al. 2002a], Corporate Reputation, Issue Management, and many more.

Through hundreds of publications following Freeman's seminal book (e.g. [Donaldson and Preston 1995]), the concept of stakeholders has gained wide acceptance in academic thinking and the strategic management of companies over the decades [Mitchell et al.1997]. However, the field of stakeholder theory is still developing while scholars from various disciplines add their different perspectives aiming at an ongoing development of the research stream and the founding idea of Freeman. Each discipline brings a slightly different set of assumptions, implicit norms, and methods to the development of stakeholder theory. But founding the ongoing arguments within stakeholder theory, some of its strengths and weaknesses are indebted to this multidisciplinary approach [Jones et al.2002]. In summary, stakeholder theory states that companies should design their corporate strategies considering the interest of their stakeholders. Stakeholder theory is thereby based on the premise that *„in order to perform well, managers need to pay attention to a wide array of stakeholders and [...] have obligations to stakeholders which include, but extend beyond, shareholders“* [Jones et al.2002]. As stated by [Donaldson and Preston 1995] the company can pay attention to these groups for at least two reasons. The first reason is based on a normative perspective which is connected to the question of whose interest the corporation should serve. Therefore stakeholders can be considered as *„any group and individual who can affect or are affected by the organizations' purpose“* [Freeman1984] based on the assumption that their demands have intrinsic value and the company has the responsibility to meet their legitimate claims. The second reason is concerned with the question of who contributes to or influences the generation of firm value and by this takes an instrumental perspective. By addressing the interest of corporate stakeholders, who are perceived to have influence, the company's profitability can be improved. This instrumental perspective of stakeholder theory can be illustrated by the stakeholder definition of [Post et al. 2002b], which will be used as the underlying stakeholder definition of this thesis due to its instrumental focus. Stakeholders are therefore in the following defined as:

Individuals and constituencies that contribute, either voluntarily or involuntarily, to its (the company's) wealth creating capacity and activities, and who are therefore its potential beneficiaries and / or risk bearers

[Post et al. 2002b]:19

[Post et al. 2002b] broadened and deepened the original stakeholder definition of [Freeman1984] by adding a two sided wealth and risk perspective in correspondence with contemporary approaches in strategic management. The developed *Stakeholder View* approach combines the two traditional frameworks of strategic management, the market-based view [Porter1985, Porter1991, Porter1996, Porter1998] and the resource-based view [Grant1996, Penrose1959], but extends the range of those theories by adding a socio-political level of analysis [Post et al. 2002b]:1. Stakeholders can therefore be distinguished into *Resource Based, Industry Structure and Socio-Political Stakeholders* as illustrated in Figure 10.

In an instrumental perspective their definition of stakeholders as well as the Stakeholder View framework fits the research questions and the exigencies identified

to achieve the goals of the thesis, and was therefore chosen as the central stakeholder approach and stakeholder definition for this thesis.

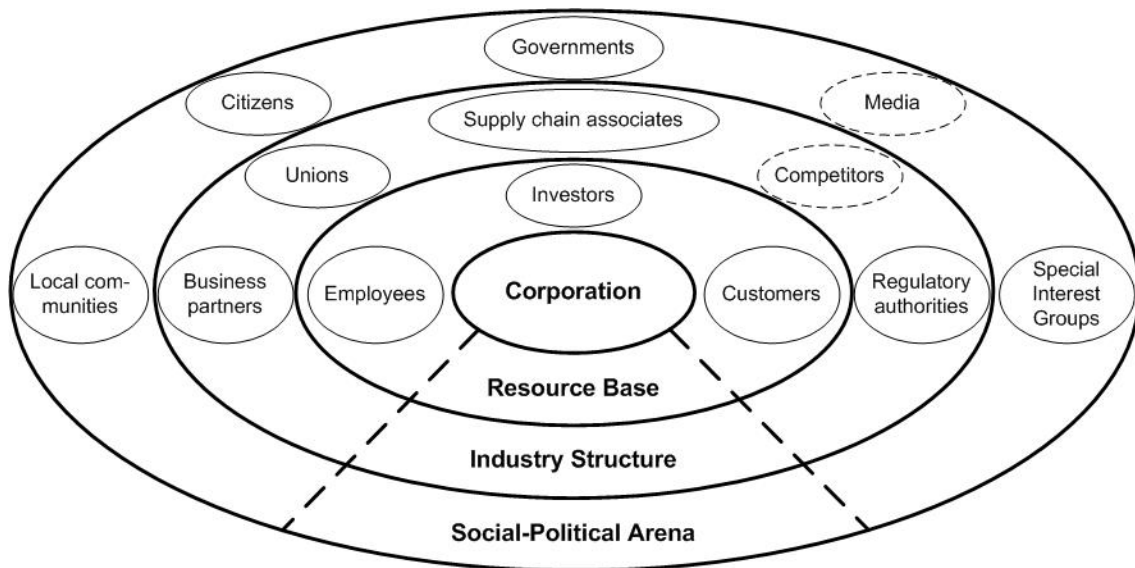


Figure 10: The stakeholder view of the corporation (adopted from [Post et al. 2002a]:55).

By transferring the above outlined argumentations and models of stakeholder theory to the corporate governance discussion, the domain of traditional corporate governance is extended beyond shareholders¹⁴ to other stakeholders with legitimate interests [Philips2003] and/or of strategic importance for the companies' wealth creation process [Post et al. 2002b]. By this assumption, a stakeholder-oriented corporate governance understanding is not necessarily contradictory to traditional economic theories, but has rather a common normative foundation with traditional conceptions [Velamuri and Venkataraman2005]. Assuming that „the stakeholder notion proves to be necessary to improve corporate governance“ [Alkhafaji1989]:111 the strategic implications of an integration of stakeholder theory into the specific context of corporate governance may even shift corporate concern „from the traditional concept of economic interest of the stockholders to what is best for society as a whole“ [Alkhafaji1989]:111. Therefore the integration of the stakeholder model into corporate governance seems to be a main precondition for fair arrangements between the company and the society or between stakeholders in general [Freeman1994]. An emerging approach, investigating the idea of stakeholder democracy [Matten and Crane2005] focuses on the processes leading to these fair arrangements through an inclusion of ideological, political and societal implications to stakeholder-oriented corporate governance principles. Furthermore stakeholder theory was implemented and discussed on the basis of various economic theories in a corporate governance

¹⁴ the traditional view of corporate governance is based on economic theories, which assume, that „[...] the only duties the firm has to external others are financial - these duties are owed by the owners, which in case of the modern corporation are stockholders“ [Key1999]:318.

context (e.g. by property rights theory [Donaldson and Preston 1995, Sacconi2006], by agency theory [Hill and Jones1992, Quinn and Jones1995, Shankman1999], transaction cost theory [Freeman and Evan1990] and resource dependency theory [Capasso2004]). These approaches contribute to this thesis by their common understanding of the importance of stakeholders to „participate in processes of organizing, decision making and governance in corporations“ [Matten and Crane2005]:6 and to the development of a comprehensive corporate governance understanding by the combination of agency, resource dependency and stakeholder theory. Stakeholders can participate in these processes through representation in the corporation, which is understood to promote procedural fairness [Freeman and Evan1990, Jones and Goldberg1982] and is legitimating and safeguarding stakeholder interests in matters of corporate governance [Luoma and Goodstein1999, Evan and Freeman1988, Freeman and Evan1990]. Focused on the moral perspective of stakeholder representation Selznick states: „If moral competence is to be meaningful, it must be built into the social structure of the enterprise“ [Selznick1992]:352.

More specifically Evan and Freeman [Evan and Freeman1987, Freeman and Evan1990] argue that „every corporation of a certain size yet to be determined, but surely all those that are publicly traded, form a board of directors comprised of representatives of five stakeholder groups, including employees, customers, suppliers, stockholders, and members of the local community, as well as a representative of the corporation, whom we might call a „metaphysical director“ since he or she would be responsible for the metaphysical entity that is „the corporation“ [Evan and Freeman1987]:104. According to these general and practical examples we argue in this thesis that if stakeholders should participate in governance processes under the assumption that taking stakeholder concerns into consideration will provide benefits and/or reduce risks for the corporation, stakeholders-aspects have to be integrated into the social structures of a business organization. As boards are assumed as the highest instance of strategic decision making and governance in a corporation, from a governance perspective they especially need to be integrated in the board of directors' composition, structure and processes. The three dimensions of a board, composition, structure and processes, reflect the intensity and importance of integrating stakeholder concerns as well as the ability of the corporation to gain the benefit creation and risk reduction potential of stakeholder interactions.

Conclusions from Stakeholder Theory

In order to generate a more encompassing understanding of the investigated interactions, I intend to extend this understanding of resources towards a risk/benefit orientation that further acknowledges the existence of relational assets [Dyer and Singh1998, Leana and Rousseau2000]. I assume that the build up and maintenance of sustainable stakeholder relationships should be strategically integrated as a managerial process in a broader corporate governance understanding reflecting also non-financial aspects of strategic relevance. The thesis adheres to a stakeholder-oriented corporate governance perspective and proposes that such a view represents a valuable addition to conventional perceptions of board engagement and strategy. This perspective allows a solid argumentation for an instrumental approach to a stakeholder-oriented board

engagement and sets the basis of the research question and the further investigation of the thesis. We assume that a stakeholder view represents a considerable advancement in the direction of a holistic corporate governance understanding of the board of directors' multiple roles and responsibilities and each of the roles emphasizes interaction-patterns with specific stakeholder groups. Such a governance process stands not alone or detached from the other dimensions but consistently flows in all strategy perspectives and strategic goal definitions.

3.4 Summary and Conclusions

The recent corporate scandals invoke questions about rethinking and a search for alternative paradigms of corporate governance leading to a broadening of the corporate governance understanding.

There is a need for a more fundamental and holistic thinking that involves alternative paradigms to replace or complement the ruling shareholder value ideology

[Huse2007]:57

Referring to this need the former sections have illustrated the differences in the corporate governance understandings and definitions as well as their underlying theories. Table 41 provides a brief summary of the conclusions.

As representative of the shareholder understanding, agency theory was chosen whereas on the other hand, as representative of a stakeholder corporate governance understanding the thesis is focused upon the stakeholder view approach. Resource Dependency ranges somewhere in the middle between both understandings. The general characteristics of the theory as well as the theoretical implications regarding the corporate governance system of the corporations were described by each theory. Agency theory and resource dependency theory both stem from the same basic understanding of corporate governance and therefore of the company. Both theories are focused on the question on how to increase the value for shareholders. While agency theory is focused on control mechanisms in order to align the interest of the principals with the interests and actions of the agent, resource dependency theory is focused on the importance of resources for the effective functioning of corporate governance in order to increase the performance for shareholders. Stakeholder theory or more specifically the stakeholder view approach adds to both theories. On the one hand it broadens the perspective of agency theory from the narrow focus of shareholders as solely residual risk and benefit holders to all stakeholders. On the other hand it broadens resource dependency theory by additionally taking a risk perspective. Therefore stakeholders are not only seen as benefit providers/bearers but also as risk providers/bearers as stated by the stakeholder view approach. The following Figure 11 outlines the corporate governance understanding based on these assumptions:

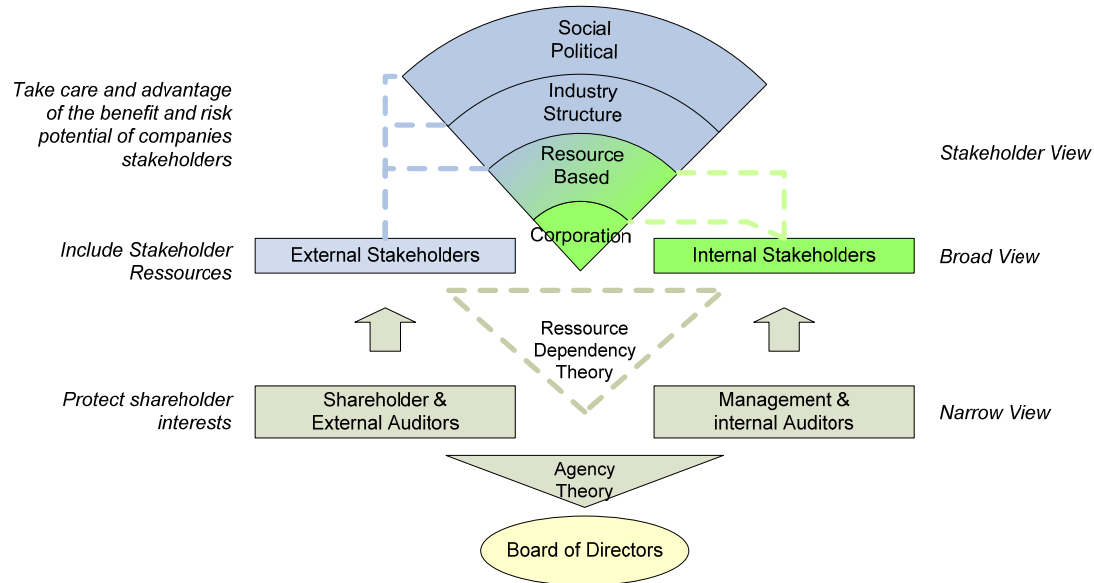


Figure 11: Corporate governance definitions from narrow to broad to stakeholder view.

In the following table the findings from theory are summarized introducing the implications for board aspects as further outlined in the next chapter.

	Principal Agency Theory	Resource Dependency Theory	Stakeholder Theory (Stakeholder View)
Purpose	Maximize shareholder wealth	Maximize corporate wealth	Maximize corporate and societal wealth
Means	Corporate governance mechanisms to align the principals' interest and the agents' actions.	Access to and provision of resources due to relationships with resource providers	Provision of mutual benefits and the reduction of mutual risks
View of the Corporation	The corporation is regarded as a legal instrument for shareholders to maximize their own interests, i.e. investment returns.	The corporation is regarded as an open system, which is dependent on resources provided by external and internal stakeholders	The corporation is understood to mobilize resources for productive uses in order to create wealth and other benefits for its multiple constituents, or stakeholders
Governance Focus	Shareholder Focus due to financial resources (maintain commitment of investors)	Stakeholder Focus due to tangible and intangible resources (maintain commitment of resource providers)	Stakeholder Focus due to benefits and risks (maintain commitment of society and stakeholders as benefit providers / bearers and risk providers / bearers)

Table 2: Summary of the findings and key distinctions between the agency, resource dependency and stakeholder theory of corporate governance.

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CHAPTER 4

1

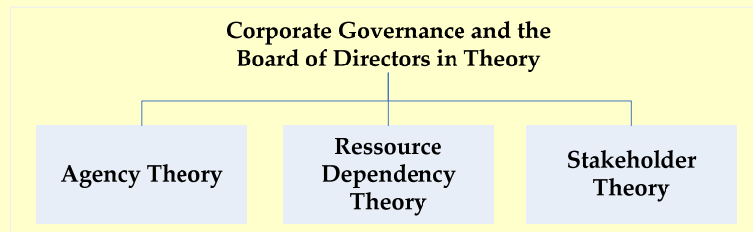
Introduction

2

Corporate Governance & the Board of Directors in Switzerland

3 & 4

Theoretical Background



5

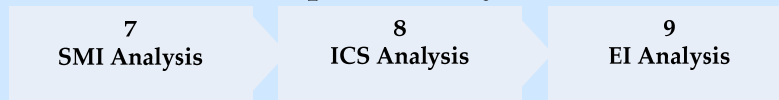
Framework of Analysis

6

Methodology

7-9

Empirical Analysis



10

Findings & Conclusions

4 THE BOARD OF DIRECTORS IN THEORY

4.1 Introduction

4.1.1 *Goals of the Chapter*

This chapter serves three main purposes: First, an introduction into the board of directors from each theory as outlined by the previous chapter. Second we will outline the different board tasks and responsibilities and how each theory contributes to their fulfilment. Third, we will outline in this chapter the basic aspects of boards as well as their empirical findings for setting the basis of the framework development in chapter 5. The chapter therefore tries to answer the following questions:

- *What are the functions and roles of the board of directors in corporate governance from each theoretical understanding?*
- *Which are the main board aspects that have been focused upon in extant empirical board research?*
- *Which empirical findings from extant board research have been made concerning the different board aspects?*

By a literature review focused on publications within the management field, the chapter aims to get a comprehensive overview of extant board research in this perspective in order to identify and explore gaps and blind spots taken into consideration by the development of the framework.

4.1.2 *Road Map of the Chapter*

Based on the former chapter and the evaluated corporate governance understandings as stated by different theories the chapter will first analyze the board of directors, their tasks and responsibilities by the implications from theory (section 3.2). In a second step we will summarize the findings by an analysis of the boards' tasks and outline the rationale of enhancing agency theory first by a resource dependency and finally by a stakeholder theory approach (section 3.3.). In the following we will outline the basic aspects of boards (section 3.4) and the findings made by extant empirical research concerning each of these aspects (section 3.5) in order to develop the framework of analysis in chapter 5.

4.2 Board Tasks

The thesis acknowledges that the board of directors has to perform a number of tasks at any given point in time. In literature we find concepts of board roles, board tasks, board functions and board activities. We are using these terms in the same meaning while focusing on the boards' task involvement relating to both expectations and actual performance. The thesis relies on the widely accepted classification of board roles by

[Pearce and Zahra 1992]:412ff dividing the board roles into a monitoring, strategic and service function¹⁵ as illustrated by Figure 12.

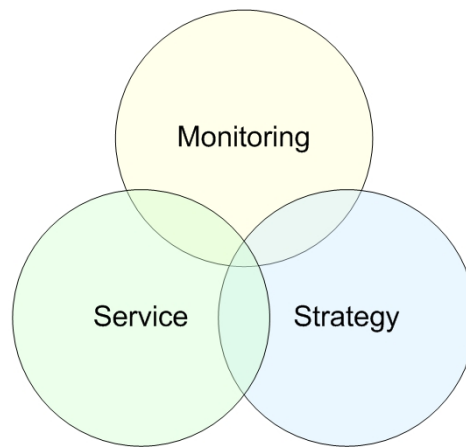


Figure 12: Board Roles by [Pearce and Zahra 1992]:412ff.

The roles can be further specified as follows:

	Service Role	Monitoring Role	Strategy Role
Main task	The service role is enhancing the companies identity and reputation	The monitoring or control role is aligning the interests of executives to those of shareholders	The strategic role is defining the current and future strategy and orientation of the company
Achieved by	building good relationships with stakeholders	selecting and if necessary dismissing top executives	defining the businesses the company wants to be in
	linking firm to external environment (boundary spanning)	monitoring and evaluating executive and corporate performance	assessing, reviewing and challenging strategic proposals of executives
	scanning the environment for valuable information	defining internal control systems and performance standards	providing advice to and encouraging executives
	performing ceremonial and legitimizing functions	coordinating internal and external auditors	deciding on major strategic investments

Table 3: Board Roles and related Tasks based on [Pearce and Zahra 1992]:412ff.

The importance of the three functions varies from company to company and from country to country. It is strongly related to the contingency variables of the company, the legal tasks of the board and the underlying corporate governance understanding and theoretical model of corporate boards. The importance and weighting of the boards' tasks may also change dynamically corresponding to the company's strategy in

¹⁵ for a detailed discussion of the board roles see e.g. [Stiles2001, Daily et al.2003, Hung1998].

different situational contexts. The expected board tasks may be different from the boards executed tasks and therefore define the boards' task performance at any given point in time.

4.3 The Board of Directors in Theory

Each theory presented in chapter 3 is based on a specific corporate governance understanding and has specific implications regarding the tasks and aspects of boards in order to effectively fulfil these tasks. In the following sections we will therefore outline these general understandings of boards as well as their implications on board aspects as stated by theory.

4.3.1 The Board of Directors in Agency Theory

Few trends could so thoroughly undermine the foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.

[Friedman1962]

Based on agency theory and traditional economic theory the board of directors' responsibilities can be viewed from three different perspectives [Hill et al.1992, Franck2002, Shankman1999] leading to three different composition and structure implications in order to solve the generally underlying monitoring task of boards:

- The board as a "extended arm" of the shareholders, owners and investors
- The board as an "insurance control" between the shareholders, owners, investors and the contractual resource providers
- The board as a "forum of negotiation" for all unprotected owners of residual claims

In the following we will outline these three perspectives of board tasks as stated by economic theory in general and by agency theory in special.

The board as an "extended arm" of the shareholders

Based on the information asymmetry and the conflicts of interest arising in a principal-agent relationship underlying the "modern corporation" (Berle/Means, 1932) where the shareholders are holders of residual claims but are not directly involved into the management of the corporation, the need for monitoring management behaviour in the interest of the shareholders and in order to maximize shareholder value becomes obvious. But due to free-rider problems shareholders usually do not exert direct monitoring in the modern corporation but commission a supervision organ, the board of directors in monitoring management and controlling the internal corporate governance mechanisms, instead. In a narrow perspective the board of director therefore serves as an "extended arm" (Franck, 2001) or as a supervisory-agent of the shareholder. His function is to prevent managerial actions leading to the reduction of the shareholder value. In this perspective the board of directors has no further normative obligations to any other stakeholder than shareholders and its monitoring

function is perhaps the most central internal corporate governance mechanism [Daily et al.2003] to align the divergent interests of shareholders and managers. Therefore from an agency theory perspective monitoring and control is the key role for governing boards, acting as a ratifier of the decision to be implemented and as controller in monitoring their implementation and performance [Fama and Jensen1983]. From the perspective of the shareholder the board of directors can therefore be seen as an „information system to control the agent's behaviour“ [Hung1998] and therefore as a more or less efficient mechanism to minimize agency costs and decrease information asymmetry. Effective monitoring of management in this narrow perspective is thereby strongly related to the independence of board members defined as the „balance between executive and non-executive directors on boards“ [Walt and Ingley2003]:220. According to a study of Deloitte, Touche and Tohmatsu „independence is more likely to be assured when the director is not a large shareholder, has not been employed in any executive capacity by the corporation within the previous few years, is not retained by the corporation as a professional adviser, is not a significant supplier to or customer of the corporation, and has no significant contractual relationship with the corporation other than as a director“ [Deloitte et al.1999] cited in [Walt and Ingley2003]:220. The board should therefore be especially independent from management and preferably be dominated by representatives of the shareholders. Other stakeholder representatives may include further conflicts of interests on the board which may decrease shareholder value and are by taking this perspective therefore not recommended or even forbidden [Franck2002].

But due to the supervisory function of the board a second encapsulated principal agent relationships exists, with all the difficulties of enforcement associated with agency relationships as formerly outlined in chapter 3. [Franck2002]:215 defines this context as a „principal-supervisor-agent relationship“. The basic principal agent problem, which occurs between management and shareholders, is only shifted by this view to a more complex model of principal-agent relationships that does not overcome the need for the monitoring of agents to act on behalf of the shareholders. Theoretically, the board therefore contributes to firm financial performance and wealth creation by the reduction of agency-costs through the monitoring of management. But the establishment of the board raises additional costs and a further need for monitoring the “self-interested” board members to act on behalf of shareholders arises, that again may decrease shareholder value. If the board should therefore effectively function as an “extended arm” of the shareholders sufficient motivation should be given. In addition the board members further need the skill and sufficient access to managerial information to fulfil their tasks. Although, this narrow understanding of the board of directors is the most common approach to corporate governance today it seems to be not an optimal approach for all companies [Franck2002]. If the company is situated in a matured industry with established technologies and low need for reinvestments the danger for the consumption of free cash flow by the opportunistic behaviour of management seems to be high (Jensen 1989 cited in Franck 2002:16) and therefore the need for the board functioning as an “extended arm of shareholders” arises and seems to be optimal as stated by theory.

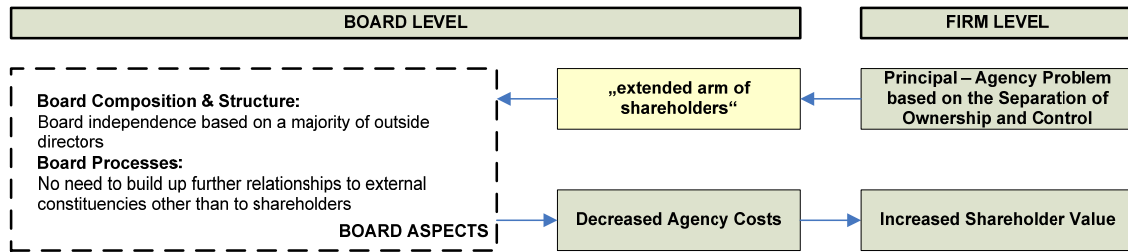


Figure 13: Influences of the “board as extended arm of shareholders” on board aspects.

The board as an “insurance control” in the nexus of contracts

Based on the idea to see the company as a “nexus of contracts” [Fama and Jensen1983] agency theory and its corporate governance understanding can equally be conceptualized as a nexus of contracts between all resource providers [Hill and Jones1992] of a company. Due to the fact that these resource holders only provide their resources because of synergy factors which could not be achieved by isolated use, this approach is still consistent with the agency perspective, by assuming optimal contracting among egoistic agents [Shankman1999]. The claim of each resource provider is thereby fixed by contract while the shareholder still holds the residuum and therefore takes the risk of all contingencies influencing the wealth creation. The shareholders, as holders of the residual claim therefore become specialized in taking and diversification of risks and do not need to take any further tasks and responsibilities in a corporation. Due to their comparative advantage as risk takers, the shareholders become the specialized insurers of all input providers with contractual fixated claims. As a conclusion the wealth maximization of the residual claim therefore leads to the wealth maximization of the company.

By taking this perspective the board has to act as an “insurance control” [Franck2002]:6 in order to safeguard that the insurers (shareholders with a comparative advantage in the handling of systematic risk) take their responsibility towards the insurance holders (contractual fixated resource providers) and the other way round. Therefore the board of directors is concerned with maximizing corporate value, which benefits both the insurers and the insurance holders and which is the outcome from maximizing the residual value under this perspective. Still the role of the board is monitoring and control but not on the behalf of shareholders alone (which would be counterproductive, if the insurance is taking the insurance control) but on behalf of all involved contractual stakeholders providing resources to the wealth creation of companies. Additionally, by this perspective all forms of incentives (e.g. in order to align interests of the participants with the board of directors) cease to exist otherwise the boards’ responsibility to act as insurance control can be questioned [Franck2002]. In order to obtain effective monitoring and control in this perspective the board of directors should be composed of representatives of the involved resource providers. Further expertise and expert knowledge is important to clarify in cases of profit cuts (value decrease or destruction), if they are based on exogenous (e.g. economic development or environmental uncertainty) or endogenous (e.g. management faults or inadequate application of resources) development. The function of boards as

“insurance control” therefore seems to be adequate if the company is settled in a new market with high investments and high environmental risks [Franck2002].

This conception of corporate governance has one big advantage as it focuses, based on the self-interested concept of human being, on the symmetry of the principal agency problem [Franck2002]:9. In this way, it bears two similarities to stakeholder theory, first in that all stakeholders, who provide resources that are used to increase corporate wealth, can be included in the theoretical perspective [Shankman1999]. The goal of maximizing shareholder value by maximizing corporate value implies, at least for instrumental reasons, the recognition of stakeholder interests as they serve to increase the wealth of the firm but only on a contractual basis. And second that the relationship is both in positive and negative terms symmetric or two-sided as stated by the stakeholder view approach due to the reciprocal benefit and risk perspective. From agency theory perspective, the self-interest will lead agents to recognize stakeholder interests as a way to uphold their contractual obligations. In some aspects of this approach also resembles the resource dependency view of the firm made popular by Pfeffer and Salancik [Pfeffer and Salancik1978] as further outlined in the following section. Therefore this interpretation of economic theory on the board of directors’ level moves close towards resource dependency and stakeholder theory.

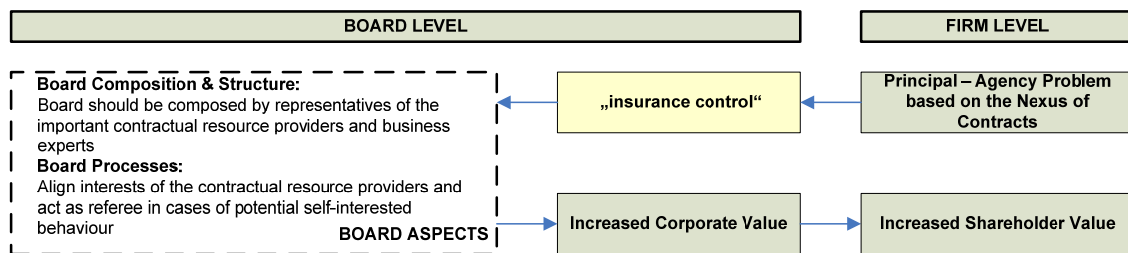


Figure 14: Influences of the “board as insurance control” on board aspects.

The board as a “forum of negotiation”

In both formerly outlined perspectives the shareholder was seen as a special actor with specific resources (owner by providing financial resources) and abilities (specialized insurer by providing risk diversification) that granted him this specialized role. Although today the shareholder can in most cases not be seen as the owner of a company from a traditional ownership understanding regarding the amount of minority shareholders and the high diversification of shares [Blair 1995, 1996]. The minority shareholder is therefore only to a small amount liable for the decisions taken by the firm and therefore its decision making rights could be questioned [Franck 2002:11]. Therefore the question arises who should be allowed to take decisions and to which reason in a modern corporation. By perceiving all shareholders as traditional owners of the corporation this question becomes obsolete [Blair 1996:6] due to the fact that solely the traditional owner has all decision making rights and therefore takes the responsibility on the decisions effects. But as stated by Blair [1995,1996] not only the shareholder but also for example the employee makes investments in firm specific human capital with similar risks and of similar importance for the wealth creation process of the company like the financial capital provided by the shareholders. By

taking this perspective the corporate production thus not only involves a traditional agency contracting problem but also a so called team production problem, which refers to the complex productive activity that requires multiple parties to make firm specific contributions to the wealth creation process [Blair 2001:21]. Firm specific human capital investments thereby include all skills and knowledge specialized to the company and its wealth creation process, which are not useful outside the company in case of changing the employment. These firm specific investments are compensated by about 15% of the employees' wages and the longer the employee stays in the company the higher the reduction in salary will be in case of changing the employment. Therefore the company pays parts of the residual value for the firm specific investment of the employee in human capital and employees can therefore be seen as residual claimants besides the shareholders. Blair [1996:10] states that about 50% of the economic surplus generated by the companies in the US was provided to the employees between 1990-1993. Employees also share the risk that is connected with the residual claim, as shareholders do, which can be illustrated by salary cuts or the risk of unemployment in case of corporate breakdown or if the company gets under financial pressure. Although the shareholder still has the advantage of risk diversification and holds an exit-option, which is similarly interconnected with an income loss like the exit option of the employee in case of changing the employment. But as both parties benefit from the residuum of the company the danger exists, that one of the parties try to increase its part of the residuum on the disadvantage of the other party. Therefore both parties share a more or less common protection problem which should grant them the right to be involved into the decision making processes of the company. The board of directors therefore has the task to provide a forum to all parties without an acceptable exit-option and with a residual claim in the corporate wealth creation by their firm specific investments in order to exert their voting and controlling rights and to secure their interests on behalf of other parties involved. In the board of directors the "extended arm of the investor" should therefore meet the "extended arm of the employee" [Franck 2002:15] in order to grant a balanced power of interests and to build up a long term relationship. As stated by Blair [1995:14], *"Whenever investments in specialized inputs can create value, it becomes advantageous for the participants in the enterprise that uses those inputs to maintain long-term relationships with each other in order to extract the full value from the investment each has made"*. This understanding of the board of directors, as it can be seen in the German corporate governance system, seems to be especially important in industries and companies where the knowledge and skills of the employee is a competitive advantage and of strategic importance for the company.

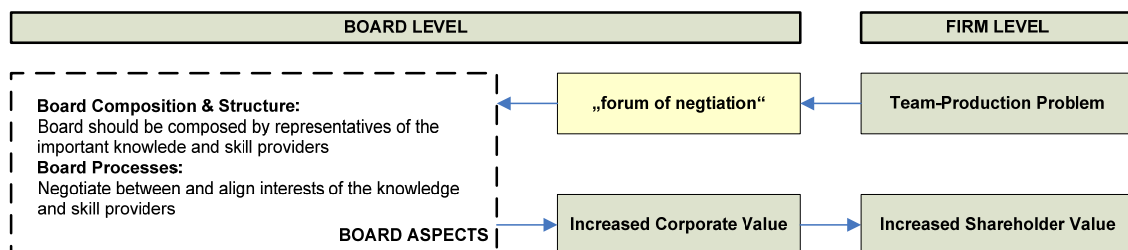


Figure 15: Influences of the "board as forum of negotiation" on board aspects

4.3.2 *The Board of Directors in Resource Dependency Theory*

Resource dependency theory provides a theoretical foundation for the directors' resource role, defined as the ability of boards to bring resources to the firm.

Another distinct role that directors play is that of providing essential resources or securing those resources through linkages to the external environment [...] resource dependency theory proposes that corporate boards are a mechanism for managing external dependencies, reducing environmental uncertainty, and reducing the transaction costs associated with environmental dependency

[Hillman et al.2000]236

As stated by [Pfeffer and Salancik1978]:145-161 the board of directors provides four primary benefits by including directors who have direct or indirect access or control to, or knowledge of, important external resources or influential stakeholder groups:

- Advice and counsel [Westphal1999, Baysinger and Butler1985, Gales and Kesner1994, Carpenter and Westphal2001].
- Legitimacy [Daily and Schwenk1996, Hambrick and D'Aveni1992].
- Channels for communicating information between external organizations and the firm
- Preferential access to resources, commitment and support from important elements outside the firm

Theoretically, the board therefore contributes to firm financial performance and wealth creation by the provision of and access to resources that enhance organizational functioning, firm performance and the company's survival [Daily et al.2003]. Thereby the board members contribution to firm performance and corporate success is on the one hand based on the *boundary spanning function* [Dalton et al.1999, Johnson et al. 1996, Salancik and Pfeffer1978, Hillman et al.2000, Walt and Ingley2001, Walt and Ingley2003] of boards between the organization and its environment, in order to reduce or respond to dependency between the organization and external constituencies [Pfeffer and Salancik1978], decrease environmental uncertainty [Pfeffer1972], lower transaction and search costs [Williamson1984], support legitimacy and the survival of the firm [Singh et al.1986]. On the other hand, by the broad expertise and knowledge included on the board of directors by following resource dependency theory implications, the board fulfils a *strategy* and *service role* by giving advice and counsel to management and enhances the effectiveness of the *monitoring* role, by providing boards with the ability to effectively control management. These contributions of board members to company success by resource dependency theory emphasize the importance of a board composition that includes well-networked individuals and / or the direct representation of important current and potential resource providers on the board. The traditional view of distinguishing between outside and inside directors, as proposed by agency theorists seems to be too narrow for analyzing the resource potential of boards. Based on this assumption Hillman and Dalziel [Hillman and Dalziel 2003] introduced the notion of board capital, which distinguishes between

director's expertise, experience, knowledge and skills, summarized as the "human capital" of boards [Becker1964, Coleman1988], and the board of directorate's ties to external organizations and entities, summarized by the notion of "relational capital" (White, 1961, 1963; Jacobs, 1965). This leads to the suggestion of resource dependency theorists to apply large boards, since this means that the board can provide a higher potential in board capital (Pfeffer/Salancik, 1978; Pearce/Zahra, 1992; Gales/Kesner, 1994; Goodstein/Gautam/Boeker, 1994). But this recommendation neglects that a high number of board members is likely to lead to difficulties in the social processes taking place within the board and by this may have negative outcomes regarding the proposed link between resource dependency and firm performance.

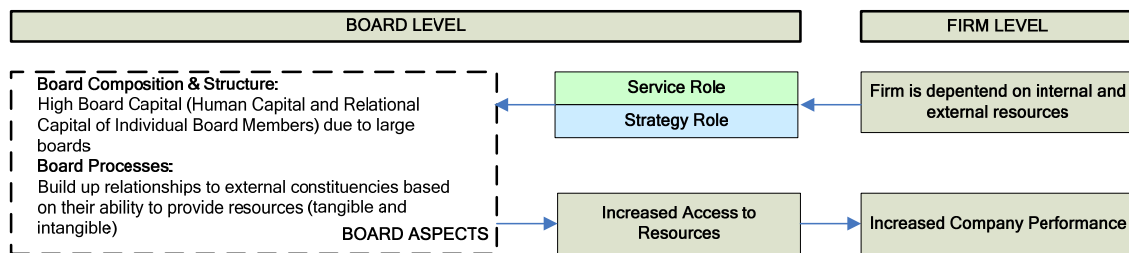


Figure 16: Influences of resource dependency theory on board aspects.

4.3.3 The Board of Directors in Stakeholder Theory

If moral competence is to be meaningful, it must be built into the social structure of the enterprise.

[Selznick1992]:352

As already stated in the former chapter, the stakeholder approach to corporate governance implies a shift in the traditional role of the board of directors as defenders of shareholders interests by the monitoring and control of management. This change of the role of directors is supposed to lead to a change in various board aspects in order to fulfil the new role applied by stakeholder theory. Under the assumption that taking stakeholder concerns into consideration will provide benefits and/or reduce risks for the corporation one can argue that if stakeholders should participate in governance processes, stakeholders have to be integrated into the social structures of a business organization. Despite this instrumental relevance for firm survival, stakeholder theory is ultimately justified on the basis that firms have responsibilities to stakeholders for moral reasons. Clarkson [Clarkson1995] outlines that *"the firms and its managers are responsible to their stakeholders for the management, use, and conversion of their stakes into profitable products or services, without exposing them or others to involuntary harm or loss."* As boards are assumed to be the highest instance of strategic decision making and governance in a corporation, from a governance perspective stakeholders especially need to be integrated in the board of directors' composition, structure and processes. Based on normative and instrumental stakeholder theory we can distinguish between

the following implications for board aspects regarding the identification of stakeholders that should be represented on the board of directors' level:

According to the normative stream of stakeholder management the consideration of the company's different stakeholder groups can be seen as an ethical demand and consequently some authors propose the representation of all stakeholders on corporate boards in order to promote procedural fairness [Freeman and Evan1990, Jones and Goldberg1982] as well as to legitimize and safeguard the interests of corporate stakeholders in matters of corporate governance [Evan and Freeman1988, Freeman and Evan1990]. Due to the fact that the assumption of normative stakeholder theory to include all stakeholder concerns on the board of directors level seems to be hardly applicable in practice [Evan and Freeman1988, Freeman and Evan1990] argue that *„every corporation of a certain size yet to be determined, but surely all those that are publicly traded, form a board of directors comprised of representatives of five stakeholder groups, including employees, customers, suppliers, stockholders, and members of the local community, as well as a representative of the corporation, whom we might call a „metaphysical director“ since he or she would be responsible for the metaphysical entity that is „the corporation“* [Evan and Freeman1987]:104.

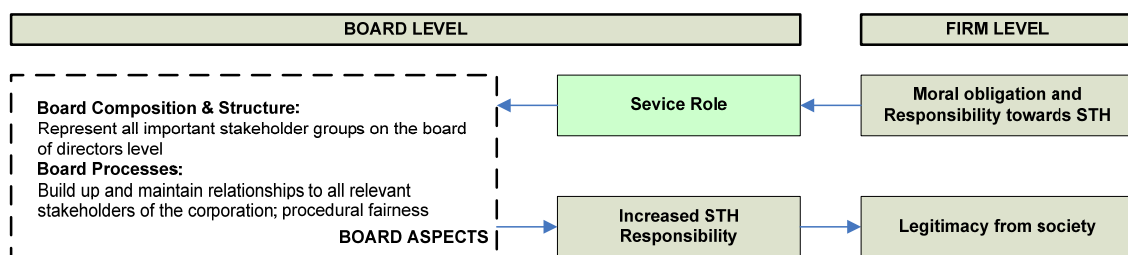


Figure 17: Influences of normative stakeholder theory on board aspects.

In instrumental stakeholder theory, the role of the board of directors is seen as achieving a balance between the interests of all strategically relevant stakeholders. In fact, it is argued that maintaining an appropriate balance between the interests of all strategically relevant stakeholder groups is the only way to ensure survival of the firm or the attainment of benefits and risk reduction potential. Within the instrumental approach of the stakeholder model therefore the representation of stakeholders on corporate boards can either depend on their degree of firm-specific investments [Zingales1998, Rajan and Zingales1998] or their ability to add value, assume unique risks and provide strategic information for the corporation [Kaufman and Englander2005]. The normative condition in instrumental stakeholder theory is that managers must provide returns (economic and otherwise) to stakeholders in order to continue engaging in wealth creating activities by virtue of the critical resources stakeholders provide to the firm. This is also known as the strategic stakeholder approach to management [Carroll and Hannan1989].

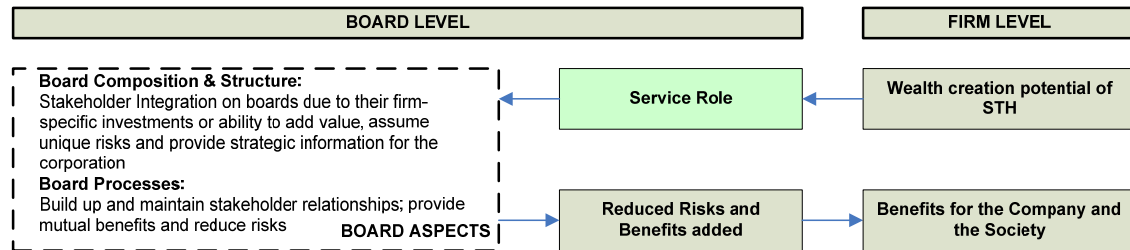


Figure 18: Influences of instrumental stakeholder theory on board aspects

It seems to be important to note that stockholders or investors are not excluded from boards by the implications for board aspects from stakeholder theory, as often assumed by traditional economists. As an example, shareholders still have to be present on the board of directors as they „create and destroy“ a firm’s value via its market price (instrumental argumentation) and because the board remains accountable to shareholders through financial markets and corporate governance regulations (normative argumentation). In summary, from a stakeholder perspective the board must have directors who knowledgeably can express the multiple constituents’ interests (including shareholders interests) both for wealth creation (receiving benefits and reducing risks) or economic reasons as well as for responsibility (providing benefits and bearing risks) or ethical reasons.

The three dimensions of a board, composition, structure and processes, thereby reflect the intensity and importance of integrating stakeholder concerns as well as the ability of the corporation to gain the benefit creation and risk reduction potential of stakeholder relationships. Accordingly [Luoma and Goodstein1999] explain, three dimensions of board composition and structure that are particularly important in reflecting the degree stakeholders have been integrated into corporate decision-making:

- The presence of stakeholders as directors
- Their appointment in monitoring or oversight (steering) board committees
- The existence of a committee composed mainly of stakeholders or dedicated to CSR

In addition to these levels of stakeholder representations I will in the following additionally distinguish therefore between direct or indirect representation of stakeholders on the board of directors’ level, as stakeholder theory is mainly concerned with the direct representation and often neglects the influence of indirect representation. Direct representation requires that a stakeholder is effectively a part of the company or the company’s institutions [Luoma and Goodstein1999], while indirect representation can be achieved through stakeholder networks and stakeholder relationships of corporate constituents in our case by the board of directors or the individual director of a board. Indirect representation in an instrumental stakeholder theory context is thereby congruent with the relational capital of boards as stated by resource dependency theory. The direct representation of stakeholders on corporate boards (composition) and board committees (structure) is seen by various researchers

as an important [Freeman and Evan1990, Evan and Freeman1988, Jones and Goldberg1982, Luoma and Goodstein1999, Huse2007, Selznick1992] and most direct [Jones and Goldberg1982] way to integrate stakeholder interests within a corporations corporate governance and strategic decision making. Signalling a stakeholder orientation to external and internal constituents through various stakeholder memberships on these corporate institutions may enhance the legitimacy of corporations [Luoma and Goodstein1999]:554. Additionally, the institutional embedding of stakeholders by the boards' composition and structure may also influence the behaviour of companies regarding what is perceived as legitimate or important in values and norms [Powell1991]. Therefore a stakeholder oriented strategy can be strengthened by a stakeholder oriented structure which influences the culture of a company concerning stakeholder importance and vice versa [Chandler1942, Bühner1994, Hoffmann1980] cited in [Rühli1996]:123. But until today only little research has been undertaken in order to analyze how this argumentation has influenced the practice of corporate governance and by this the composition, structure and processes of boards of directors regarding the strategic stakeholder management of a company.

4.4 Empirical Findings on Board Tasks and Aspects

Daily, Dalton and Cannella [Daily et al.2003] concluded through various meta-analysis that studies concerning the major characteristics of a board, like the number of board members, insider/outsider ratio, and the stock holding by board members [Finkelstein and Mooney2003], combined with corporate financial performance measures lead to results that are ambiguous or weak [Johnson et al. 1996]. As theoretical and empirical findings in extant board research have remained inconclusive or contradictory [Pearce and Zahra 1992, Daily and Dalton1994, Daily and Schwenk1996, Johnson et al. 1996, Barnhart et al.1994] one of the main challenges in the research on boards remains in the evaluation of consistent results concerning the performance contribution of boards [Bhagat and Black1999, Daily et al.2003]. Many explanations can be given for these inconclusive results [Heracleous1997] but one simple explanation of the distinctive results may be that „such relationships simply do not exist in nature“, as stated by [Johnson et al. 1996]:433. But this explanation is not satisfactory to research in corporate governance based on the practical importance of the issue. In the following we will focus on findings that may support the ability of boards to interact with stakeholders and that will increase the possibility of benefit contribution and risk reduction by stakeholder relationships settled on the board of director's level.

4.4.1 Empirical Findings on Board Composition

Board composition covers the number of board members as well as their individual characteristics or by aggregation the heterogeneity of boards as illustrated by the following Figure 19.

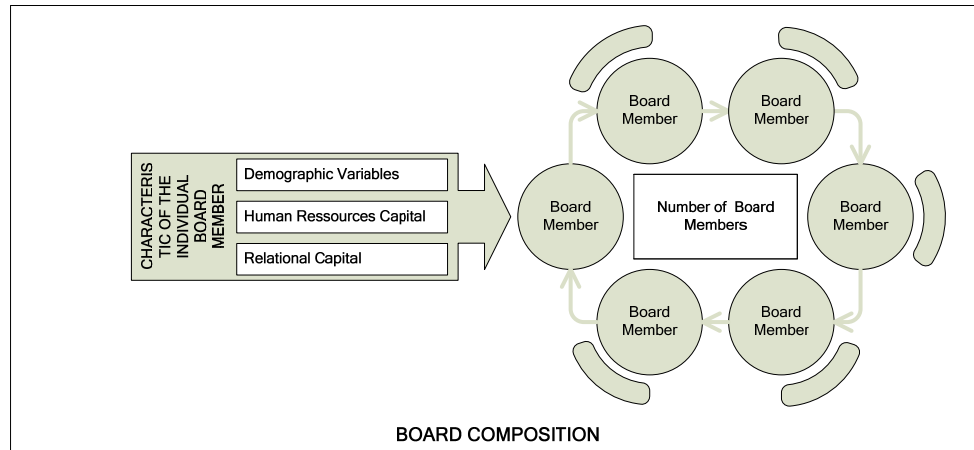


Figure 19: Dimensions of Board Composition

In the following we will shortly outline the various elements of board composition with regard to their findings on the financial performance and social performance.

4.4.1.1 Number of Board Members or Board Size

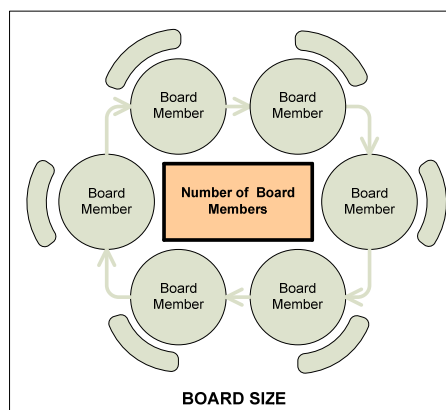


Figure 20: Board Composition – Board Size

The question about how many board members a board should have is raised in various recommendations, codes and empirical research approaches about boards and governance [Huse2007]. Although, there is contradictory evidence of empirical findings linking the determinants of **board size** to corporate or board performance as well as to the behavior and processes of boards. According to Jensen [Jensen 1993] corporate performance and board size are negatively correlated. Jensen argues that over dimensioned boards are more likely to be dominated by the CEO which decreases the monitoring performance of the board. Jensen and Lipton & Lorsch (1992) therefore first expressed the notion of an optimal board size of around seven to eight directors by arguing, that smaller boards lack the necessary management capacity to successfully fulfill its tasks, whereas larger boards are less effective due to increasing agency and team building problems (e.g. director free-riding) [Jensen 1993]. [Grünbichler and Oertmann1996] support these theses for Swiss company boards by a

comparison of board size with corporate performance. They came to the conclusion that medium sized boards in Switzerland have, by tendency, a better performance than bigger sized boards. Similar results were experienced in studies by Yermack (1996) for the US and Eisenberg et al. (1998) for Finland. For example [Yermack1996] evaluated by a study of 452 companies that large boards are inversely associated with subsequent market value measured by Tobin's Q while [Pearce and Zahra 1992]:431 and [Dalton et al.1999] imply a positive relationship between board size and corporate performance. The contradictory results of linking board size to corporate performance can be explained by the “joint-endogeneity problem” of board research as stated by Hermalin and Weisbach, and the problem that board size not only influences future corporate performance but is itself influenced by prior performance.

Though, these inconclusive results account for the fact that boards need a minimum size in order to gain enough expertise to fulfill its tasks sufficiently while on the other side too big boards would suffer from too many communication and coordination problems. The advantages of large boards are mainly based on resource dependency arguments whereas agency-theory is more skeptical towards the efficiency of large boards towards monitoring and therefore prefers smaller boards. Therefore a medium sized board seems to be optimal [Golden and Zajac2001, Treichler1995, Baker and Müller1997, Grünbichler and Oertmann1996] from both theoretical assumptions. Although it seems to be important to keep in mind that the board size can also depend on the companies specific circumstances such as firm size, diversification strategy and CEO or board power as well as industry factors like growth opportunities and environmental uncertainty, larger or smaller boards can also be efficient. For the influence of prior performance, the limited evidence indicates that better performing companies have larger boards, which supports resource dependency arguments. But by taking the decision to apply a large board the above outlined problems should be taken into consideration and should be limited by an appropriate internal division of labor and/or by setting up an efficient committee structure as well as working processes.

4.4.1.1 Board Heterogeneity

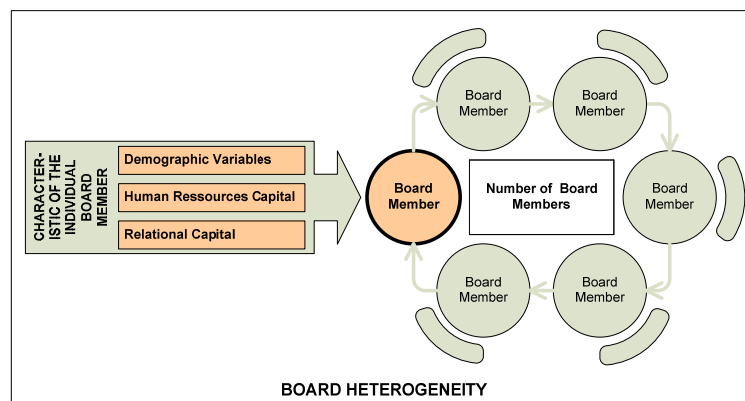


Figure 21: Board Heterogeneity

The strength and weaknesses of board heterogeneity are similar to the ones of board size. As heterogeneity is positively correlated to the variety of knowledge and expertise represented in the board of directors, high diversity is leading to an increasing openness to change by the integration of different perspectives and a wider range of information to the strategic decision making process. According to [Wiersma and Bantel1992]:112 and [Hambrick et al.1996]:679 a positive correlation between educational heterogeneity and strategic change can be evaluated. On the other hand heterogeneous teams suffer more likely from group conflicts as group cohesiveness decreases. Consequently heterogeneous boards are associated with increasing coordination and communication costs as well as a slower decision making process through facing difficulties in reaching compromise. Therefore too heterogeneous boards suffer from the same disadvantages like too big boards. The higher expertise and increasing openness to change of large and heterogeneous boards is not easy to include into the strategic decision making process and may decrease the ability to initiate strategic change.

Demographic Variables

Resource-dependence theorists as well as agency theorists have taken interest in various demographic aspects of directors and boards, like age, gender, race, or nationality [Hambrick and Mason1984]. While resource dependency assumes that the more heterogeneity in demographic variables a board can accumulate the better its effects on company performance will be [Salancik and Pfeffer1978] agency theory proposes that similarities or dissimilarities in particular dimensions of the board demographics as a group will influence the monitoring effectiveness with which boards work. For example, directors who are in a similar age as the CEO [Golden and Zajac2001] or who have accumulated experience in similar industry and functional backgrounds as the CEO [Hambrick and Mason1984, Golden and Zajac2001] are assumed to have developed similar attitudes and beliefs and are by this less vigilant in monitoring the CEO's actions on behalf of shareholders [Kosnik1990, Murray1989].

Extant board research takes an explicit interest in the effects of **stock ownership** by the board or individual directors on company performance [Singh and Harianto1989, Barnhart and Rosenstein1998, Mallette and Fowler1992, Agrawal and Knoeber1996, Coles et al.2001]. Thereby agency theory assumes that boards with high levels of stock ownership are more willing to act in the interest of shareholders (which they are by themselves) and thus may have a higher monitoring task performance [Jensen and Meckling1976, Fama1980]. Since the CEO is typically a member of the board in US companies, the investigations take a specific interest in the relative ownership positions of the CEO and the other directors who are in charge of monitoring his actions and determining his compensation. From a resource dependency perspective board ownership is of specific importance whether the board membership of large investors offers better access to financial resources or whether the board tends to be dominated by a few shareholders or not [Mallette and Fowler1992]. The representation of large and often institutional shareholders tends to be a direct representation of stakeholders and is therefore strongly interrelated with the advantages and disadvantages of direct stakeholder representation on boards.

From an agency-theory perspective the ability of directors to effectively monitor management depends upon the number of outsider directors and therefore independent members on corporate boards. Specifically, the question of economical independence of directors is of interest in extant empirical board research but other dependencies may also exist on the personal relationship, the psychology or time, information and knowledge [Huse2007]. Based on agency-theory it is suggested that directors who are dependent on the CEO will not monitor his actions objectively in the interest of the company's shareholders (see [Daily et al.1999] for a more detailed description). Although Dalton et al. [Dalton et al.1998] state that there is no relationship of meaningful extends between the insider and outsider ratio of board members and the companies financial performance. This negative finding of the meta-analysis conducted by Dalton et al. [Dalton et al.1998] may depend on the various proxies to define director independence. In the following we will therefore take a broader perspective and distinguish between inside directors (individuals directly depending on the firm or CEO for example full-time employees of the company and/or current members of the executive management), interdependent or „outside“ directors (individuals independent from the firm or CEO) [Baysinger and Butler1985, Dalton et al.1999].

Board Human Capital

The research concerning the knowledge and skills of board members is directly related to the ability of the boards to fulfill their tasks from an agency theory perspective (monitoring task) as well as from a resource dependency perspective (service task). Although research in board knowledge and skills has its roots in resource dependence theory by considering the knowledge and skills of board members as resources for the firm [Huse2007]. The various types of knowledge and skills of board members are according to Huse [Huse2007] and Hillman et al. [Hillman et al.2000]:

- **Firm-specific Knowledge, Industry Knowledge and General Business Knowledge** (e.g. main activities, core competencies and critical technologies, customers, markets, products and services as well as strength and weaknesses of the focal firm, the industry of the focal firm or a company in general): This kind of knowledge either derives from experience in the same company, industry or comparable company as current or former CEO, manager or board member.
- **Specialists and Support Specialist** (e.g. knowledge or educational background in finance, accounting, law, marketing, human resources or just in general management expertise): This kind of knowledge is especially important for the advisory ability of board members and usually derives from the educational or working background of former employment and function of the individual board member.
- **Board Process Knowledge:** This kind of knowledge is concerned with the question of how to run a board and includes specialized knowledge of the tasks and working processes of board members. Board process knowledge can be

gained by current or former board appointments of the individual board members.

Board Relational Capital

Concerning the research question of the thesis we will additionally focus on the nomination or election of board members based on their relational capital [Hillman and Dalziel 2003], which includes the individual network to specific stakeholder groups (indirect stakeholder representation) as well as the direct representation of stakeholders on the board of directors labeled as „stakeholder directors“.

From a resource-dependency perspective relational capital is the „sum of actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or social unit“ [Nahapiet and Ghoshal1998, Hillman and Dalziel 2003] cited from [Huse2007]:106. Interlocking directorships are a special form of linking the company to important resource providers through the board of directors. In an extensive definition an interlocking directorship occurs whenever a person is simultaneously a member of the governing boards and/or the top management team of more than one corporation, e.g. [Pennings1981]:1, [Scott1997]:7, [Useem1984]:38, [Pettigrew1992]:165, [Mizruchi1996]:271. In addition to the resource and linking role of corporate directors, interlocking directorates can benefit corporations to control other organizations [Pfeffer and Salancik1978]; to co-opt threats from competitors, suppliers, customers and regulatory agencies [Mizruchi1996, Useem1978] and more generally to coordinate their business activities with other corporations [Ornstein1984]. Interlocking directorates are expected to facilitate communication and inter-organizational coordination. Interlock ties may also allow inter and intra industry wide coordination as stated by [Mace1971] who observed that there is some form of „roundtable“ set up by directorates from the largest corporations in America.

4.4.2 Empirical Findings on Board Structure

Board Structure covers the official structure of board operations and typically entails the committee structure of boards as illustrated in Figure 22.

Number and Kind of Committees

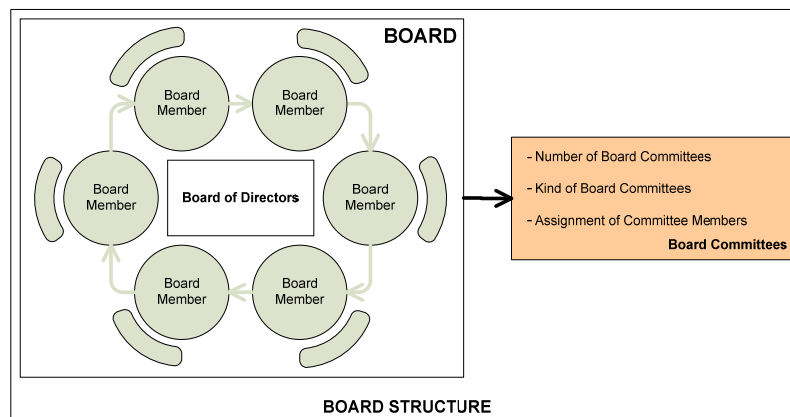


Figure 22: Board Structure – Committee Structure.

Most codes of best practice strongly recommend companies to set up board committees and in particular at least an audit, and remuneration and nomination committee. These three committees have a specific and clearly defined function and should be composed by a majority of independent directors, meeting separately from full board [Klein1998]:278. Only some contributions have focused on the role of committees in determining the efficacy or performance implications of boards [Klein1998, Sundaramurthy et al.1997, Kesner1988]. The basic argument for committees is that the broad range of complex tasks of the board can better be handled in specialized committees, where the negative effects of a large group size can be overcome and specialized expertise can be isolated. Additionally committees might enhance the board's power position and offer the opportunity to meet autonomously from executive management with experts inside and outside the company in order to retrieve information from a larger variety of resources. Despite these theoretically positive impacts and determinants of committees there is hardly any empirical study that has discovered a significant relation between the number and type of committees and company performance so far [Klein1998]. Only one study by Klein [Klein1998]:293 indicates a positive relationship between insider representation on investment and finance committees and corporate performance. The basic problem of research in committees is that the simple adoption of committees and their measurement does not enhance board effectiveness or firm performance. It matters how effectively these committees work, how they are managed and whether they are composed of knowledgeable directors.

4.4.3 Empirical Findings on Board Processes

Only few studies have so far attempted to explicitly include processes in their models of boards [Golden and Zajac2001, Huse2007, Forbes and Milliken1999]. Board-stakeholder interactions are the comprehensive set of interpersonal and task-focused two (or more) way communications of the board or its members with corporate stakeholders. More specifically board-stakeholder interactions are in the following defined as the frequency and format of all interactions between directors and elements of the company's stakeholder environment. The following Figure 23 illustrates the various possibilities of individual board members and the board itself to interact directly or indirectly with individual and corporate stakeholders.

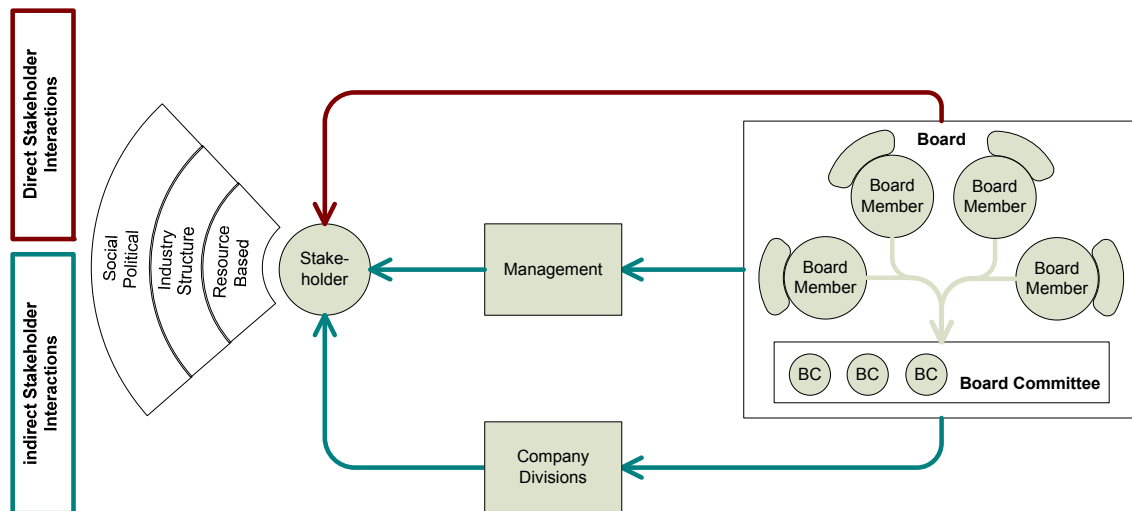


Figure 23: Board Interactions.

4.5 Summary and Conclusions

Chapter 4 has outlined the different perspectives related to theories and the involved stakeholders on the boards' tasks. Therefore the monitoring role can be highlighted by agency theory, the service and strategy role (summarized by the resource role) by resource dependency theory and instrumental stakeholder theory. The basic conclusions regarding the different perspectives on board by the three concerned theories can be summarized by the following Table 4. Additionally we analyzed in the following the empirical findings regarding the various board aspects by extant research. In summary, extant board research has mainly focused on board aspects from an input-output perspective, by considering a specific set of input variables in relation to the firms' financial performance or other intermediate outcomes as output variable. Results from these studies are often conflicting not only between contributions coming from different theoretical perspectives, but even between contributions in the same theory tradition, e.g. [Dalton et al.1998, Bhagat and Black1999]. The question arises why theory and research tradition in corporate governance did not provide conclusive results and guidance to practitioners on how to design board aspects that have a positive impact on corporate performance. Additionally extant board research neglects the effects of board processes leading the input variables to the desired output. Therefore an input-process-output perspective of boards is proposed by various researchers [Smith1994, Forbes and Milliken1999] in the field of board investigation, which explicitly considers the various processes on board level and their effects on company performance or intermediate outcomes. The adopted framework (as outlined in chapter 5) of board investigation follows this suggestion and applies an input-process-output perspective to the inquiry into boards of more or less stakeholder oriented firms.

Theory	"extended arm of shareholders"	"insurance control"	"forum of negotiation"	"boundary spanner"	Normative STH board	Instrumental STH board
	Traditional Agency Theory	Nexus of Contracts	Team Production	Resource dependency Theory	Stakeholder Theory (normative)	Stakeholder Theory (instrumental)
Focus	Separation of Ownership and Control (Residual Value)	Nexus of Contracts (Contractual Resources & Residual Value)	Team Production Approach	Environmental uncertainty and inter-organizational dependencies	Consideration of stakeholder as an ethical demand	Achieve a balance between the interests of all strategically relevant stakeholders
CG Understanding	Narrow	Narrow	Broad	Broad	Broad	Broad
CG Mechanisms and Instruments	All (especially Incentives for Board and Management)	Boards (No Incentives)	Board	All (especially Incentives for Board and Management)	Board	Board
Board Understanding	"extended arm" of shareholders in order to align the interests and actions of managers with the interests of shareholders	"insurance control", to align the interests and actions of contractual resource providers and to act as referee in cases of potential self-interested behaviour	"forum of negotiation" to all parties without an acceptable exit-option and with a residual claim in the corporate wealth creation	Boundary spanners (Instrument to limit environmental uncertainty)	Promote procedural fairness Legitimize and safeguard the interests of all stakeholders	Provide benefits and reduce risks for stakeholders and by stakeholder relationships
Board Composition	Independent board members	Important contractual resource providers and business experts	Important skill and knowledge provider	Large, heterogeneous boards, engaged in stable inter-organizational relationships	Direct Stakeholder representation on board composition and structure	Direct and Indirect stakeholder representation on board composition and structure
Stakeholder of first priority	Shareholder	Contractual resource providers	Important skill and knowledge provider	Actual and Potential Resource Providers	All stakeholders	STH as benefit providers / receivers; risk providers / bearers
Board Role	Monitoring	Monitoring / Resources	Monitoring / Service	Resources (Strategy and Service)	Service	Resources (Strategy, Service)

Table 4: Overview of Theoretical Perspectives on the Board of Directors

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CHAPTER 5

1

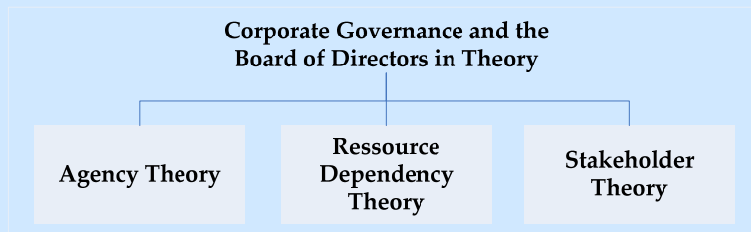
Introduction

2

Corporate Governance & the Board of Directors in Switzerland

3 & 4

Theoretical Background



5

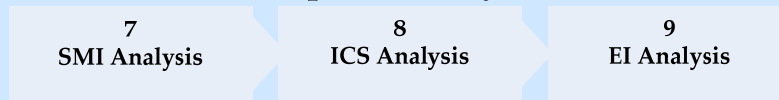
Framework of Analysis

6

Methodology

7-9

Empirical Analysis



10

Findings & Conclusions

5 A FRAMEWORK OF ANALYSIS

5.1 Introduction

5.1.1 *Goals of the Chapter*

Based on the overall research question and the findings and conclusions from theory, worked out in the previous chapters, the following chapter will now develop the conceptual framework for the empirical study as well as first insights and propositions regarding the implementation and benefit potentials of stakeholder relationships by the composition, structure and processes of boards. The theoretical insights on the aspects of board composition, structure and processes from agency, resource dependency and stakeholder theory will be integrated in the development of the framework, which other researchers could use in future board investigations. As a consequence the framework is designed to meet the requirements of all sorts of companies and industries. It will guide the empirical research of the SMI 25 analysis and the case study analysis of three companies from different industries and company settings in the Swiss market environment. Consequently the chapter has two main objectives. First, the development of a conceptual framework derived from theory, structuring the further research process, data collection and analysis, of the thesis. And second, the development of first insights and propositions, regarding the implementation and benefit potentials of stakeholder relations on the board of directors' level, in order to guide the empirical studies and the following expert interviews.

5.1.2 *Roadmap of the Chapter*

Based on the evaluated theoretical insights from extant corporate governance and board of directors' literature and research in chapter 3 and 4 a framework will be developed, upon which the dissertation research, the data collection and analysis process, is based. The chapter starts with brief summary of the theoretical and empirical findings (section 5.2) and the assumptions behind moving towards a stakeholder oriented board (section 5.3) on which the developed framework is based (section 5.4). The framework can be distinguished into three interdependent parts, which will be outlined in the following sections. First we will show how stakeholder relationships can be analyzed by different types of stakeholder representation on corporate boards (section 5.5). In order to fill a lack in theory we assume contingency factors of a company, as outlined in section 5.6, to influence the representation of stakeholders by board composition and structure and make first propositions regarding this influence. Further we assume that the different types of stakeholder representation lead to benefit and risk reduction potentials which will be outlined in the following section (section 5.7).

5.2 Position Reckoning

The previous chapters have provided a literature review on the governance context in Switzerland (chapter 2), corporate governance (chapter 3) and the board of directors (chapter 3) in theory. In the following we will outline the major conclusions from this literature review in order to provide a brief review and outlook for the following chapters of the thesis.

As outlined by chapter 3 the corporate governance understanding and therefore the focus on the various actors concerned by this issue depends on the special interests as well as underlying theories in the field. We concluded that a broad understanding of corporate governance strives for the integration of a stakeholder approach into the narrow understanding of corporate governance based on agency theory. By including resource dependency theory we were able to link the stakeholder view, as chosen stakeholder theory approach for the thesis, to agency theory, based on the benefit and risk reduction potential that can be provided by the inclusion of stakeholders to corporate governance. Chapter 3 further outlined that an agency theory perspective of corporate governance is based on internal and external mechanisms in order to solve the underlying principal-agency problems occurring from the separation of ownership and control. As external governance mechanisms are dependent on the national context (as outlined in chapter 2) we concluded that these governance mechanisms in Switzerland are comparatively weak (e.g. a market for corporate control hardly exists and the executive labour market is too small to serve as an effective governance mechanism) and consequently, effective boards are conditional to good governance. These findings therefore support the purpose of the thesis to analyze stakeholder relationships on the board of directors' level.

Chapter 4 was therefore mainly focused upon the understanding of the board of directors based on theory as well as on the theoretical implications regarding the composition and structure of boards. Academic literature distinguishes between three roles of the board of directors that are consistent with the tasks a board has to perform under Swiss corporate law (as outlined in chapter 2) but that are only selectively highlighted by the underlying theories. As Swiss boards have to fulfil all three roles simultaneously a framework that draws from the body of these distinct theories will therefore enhance the performance of boards and ultimately contribute to the success of the company and the enhancement of shareholder value and stakeholder value in the long term. As further outlined in the preceeding chapter the different corporate governance theories as well as the national restrictions and recommendations by law (as outlined in chapter 2) shape various board aspects, summarized by board composition, structure and processes in order to increase the performance of the board tasks focused upon. Although no theory states a clear composition and structure of boards due to influences from the contextual environment of the company that makes board aspects more or less applicable. We therefore evaluated by chapter 4 the empirically stated benefits of different board aspects in order to include them into our framework of analysis which is the focus upon this chapter draws.

5.3 Towards a Stakeholder-oriented Board

As a conclusion of the analysis of board aspects from different theoretical approaches we were able to show that all three theories state an importance of outside or non-executive directors. There is general consensus in the corporate governance literature based on agency theory that outside directors will be more effective in evaluating management based on their increased objectivity [Dalton et al.1998]. Additionally, drawing on the literature review based on resource dependency theory it becomes evident that outside directors with a variety of experience and expertise on the external environment will be more effective in performing the resource function (focused on strategy and service). However resource dependency additionally stresses the importance of internal knowledge the board should provide as well as to build up and maintain stakeholder relationships in order to gain access to important resources and decrease environmental uncertainty. By these recommendations regarding board composition it links to the instrumental view of stakeholder theory. As already stated, stakeholder theory thereby introduces a twofold role for corporate boards, which is based on normative (moral/ethical) and instrumental (wealth enhancing/ risk reducing) assumptions. From the normative viewpoint boards should monitor management on behalf of all stakeholders as well as implement and maintain a strategy which takes the responsibility and a legitimate reconsideration towards all corporate constituencies in corporate decision making. On the other hand, the direct or indirect inclusion of stakeholders into board composition and structure supports resource dependency arguments and broadens corporate decision making by non-economic considerations towards risks and benefits. We therefore assume that each theory and its implications on board aspects, supports the task performance of boards as highlighted by the specific theoretical approach. In summary we assume that the awareness towards stakeholders on corporate boards will enhance monitoring of management (by increased expertise and knowledge) on behalf of shareholders and stakeholders, it will increase the service provided to management by securing and increasing the provision of relevant resources and by facilitating the firm's interactions with its multiple stakeholders it supports a sustainable and responsible strategy formulation.

In the following we will therefore develop a framework how stakeholders can be considered or included by board composition and structure. We will show up which possibilities the board has regarding its set-up in order to include and build up relationships with stakeholders and try to evaluate the potential beneficial outcomes of various stakeholder relationships.

5.4 Framework of Analysis

A conceptual framework indicates which factors (in the board, for example) are central to the topic of interest and highlights how these factors are related to one another or which factors (or combination of factors) will cause changes to others. Thus, developing an understanding of how and why stakeholders should be included on the directors level requires a holistic framework to guide investigations. Many researchers working with or researching boards have developed an implicit model to guide their

decision-making. Although, [Pettigrew1992] observed, that in mainstream board research:

Great inferential leaps are made from single input variables such as board composition to output variables such as board performance with no direct evidence on the processes and mechanisms which presumably link the inputs to the outputs

[Pettigrew1992]:171

We will therefore in the following not try to measure the output of different stakeholder representation models but instead evaluate which possibilities the board has to include different stakeholder groups and what beneficial outcomes these models may have for the decision making process of the board. Our investigation will therefore be focused solely on the highlighted aspects of the framework illustrated in the following Figure 24.

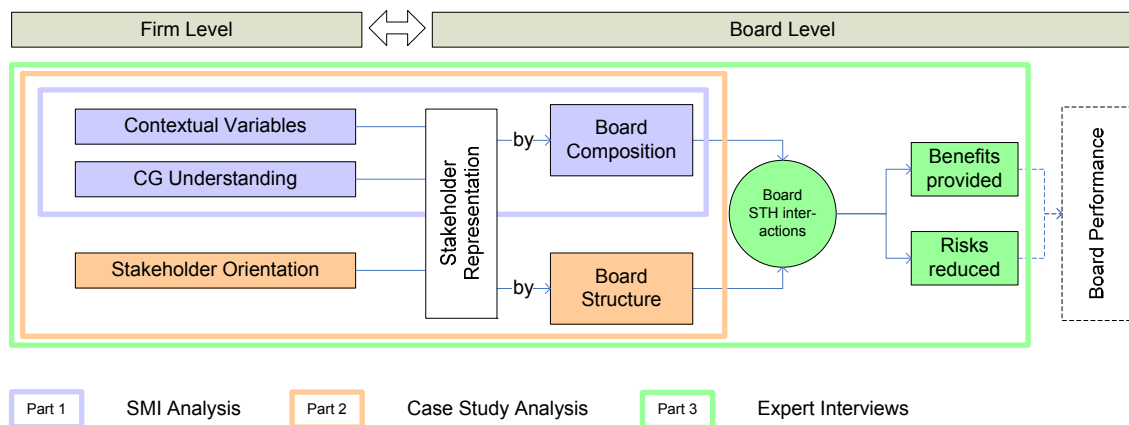


Figure 24: Illustration of the Investigation Framework.

The framework shows two different levels of investigation, the firm level and the board level. Starting from the context in which each company is settled we assume that the corporate governance understanding, the general corporate stakeholder orientation as well as various contingency factors of the company and its environment influences the composition and structure of the board of directors and therefore the motivation of the company to include stakeholders on corporate boards. The firm level therefore directly influences the composition, structure and indirectly the interaction processes on the board level. The chosen board composition and structure thereby sets the basis for the interaction processes between the board and the corporate stakeholders. These interaction processes with stakeholders can benefit the board in the fulfillment of its task performance either by providing benefits or by the reduction of risks. Accordingly, the board level is again influencing the firm level through the outcomes of the board level processes regarding the wealth creation performance of the board leading to potential company success. Although we do not measure the performance output of boards we assume that the interaction processes with stakeholders, based on the specific set up of the board of director, on the one hand directly helps to increase the performance of the board and on the other hand thereby indirectly influences the company performance. The premise of research on corporate boards in this thesis is

therefore, that boards have an impact and the power to affect a firm's decisions, strategies, access to resources and therefore ultimately its behavior and performance. This assumption has been supported by various authors [Zahra and Stanton1988, Hill and Snell1988, Judge1992], who all found a direct effect of the board in this perspective [Hillman and Keim2001]:298.

The framework of analysis is further divided into three parts of empirical investigation (as highlighted in Figure 24). Part one or the "SMI Analysis" (see chapter 6) evaluates which models of board composition with regard to the inclusion of stakeholders on corporate boards can be found by an analysis of companies listed on the SMI. The first part of the empirical investigation is therefore focused on the question on how different contextual variables and the corporate governance understanding applied by the company shape the board composition and influence the inclusion of stakeholders on corporate boards. Figure 25 outlines the basic elements of this first part of our empirical analysis (see chapter 6).

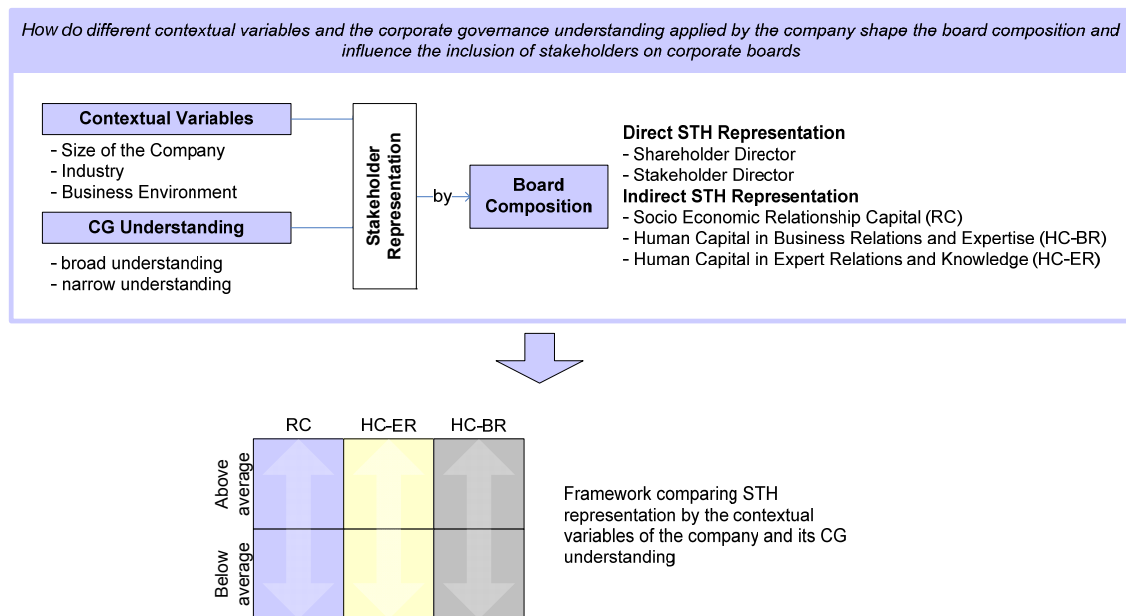


Figure 25: Part 1 „SMI Analysis“ – Detailed Framework of Investigation

Part two or the "Case study analysis" extends the former "SMI Analysis" by a more detailed view into the companies contextual and situational variables as well as by an investigation of the general stakeholder orientation of the company. It is therefore focused on the question on how the stakeholder orientation of a company is reflected by board composition and supported by board structure. Interviews with the top management of these three selected companies give first implications on the interaction processes and their beneficial outcomes based on the established board composition and structure.

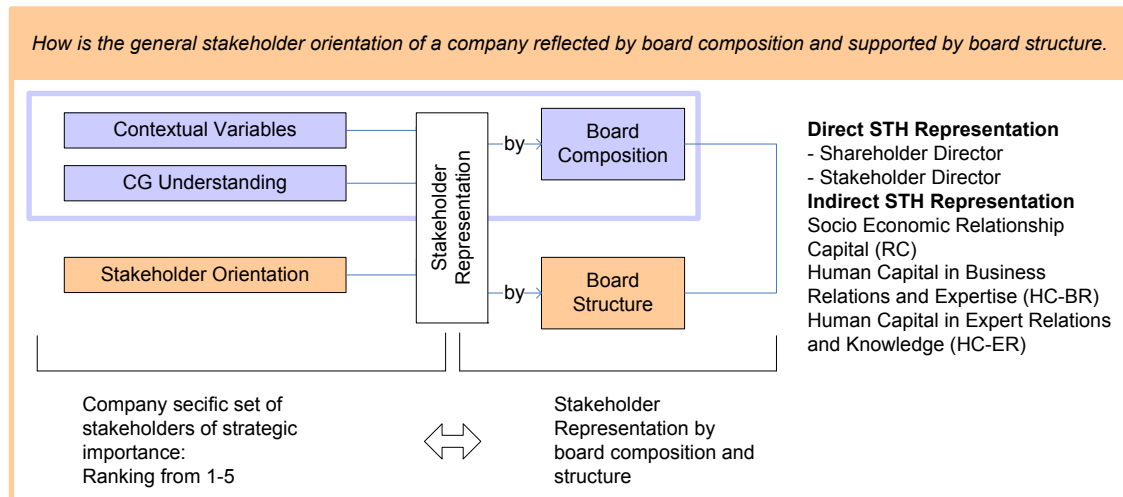


Figure 26: Part 2 „Case Study Analysis“ – Detailed Framework of Investigation

Part three or the “Expert Interviews” will critically reflect the findings and question the various elements of our framework due to their practicability and usefulness. The special focus of the expert interviews thereby lies on the beneficial outcomes of the inclusion of stakeholders on corporate boards and is therefore specifically concerned with the question of how the benefit and risk production potential of stakeholders can be realized by board action and processes. This will lead to the development of managerial implications regarding the elements of the framework as well as further elements and success factors for the inclusion of stakeholders on corporate boards that have yet not been taken into consideration.

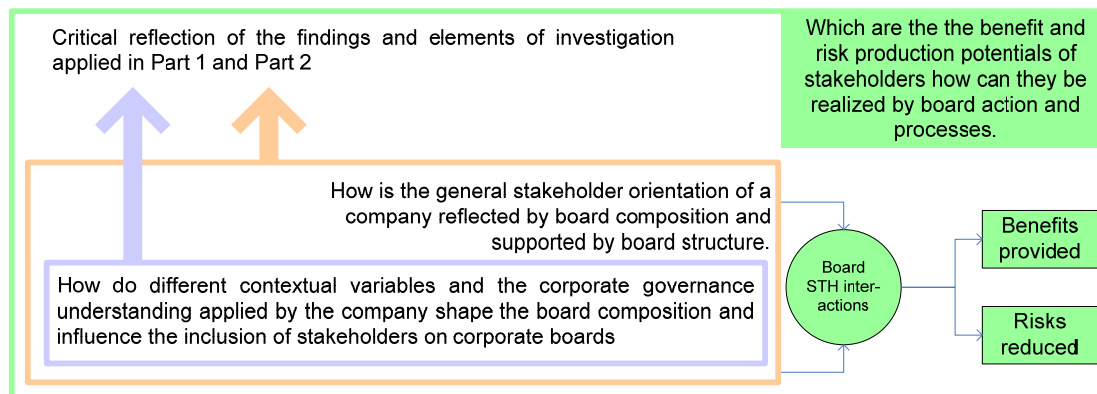


Figure 27: Part 3 „Expert Interviews“ – Detailed Framework of Investigation

In the following sections we will therefore briefly outline the various elements of the framework, how they are interrelated and which theses are taken to guide the empirical investigation process.

5.5 Influence of Contingency Factors on Board Composition

The contingency factors or contextual variables represent the specific boundaries within each company and therefore its board needs to operate. Every organization and board is presented with a different set of operating conditions or material factors that are outside of its direct control and that therefore determine the boundary conditions within which the board operates [Nadler and Tushman1980]:39. Gabrielsson and Huse conducted a review of empirical board studies issued in six leading management journals in the period from 1990 to 2002¹⁶ [Gabrielsson and Huse2004, Huse and Gabrielsson2004]. They compared samples, methods, theories and main concepts of the empirical research in board and governance and positioned the contributions with respect to contingency, evolutionary and behavioral perspectives. Through an analysis of 127 articles they concluded that most studies treat the board of directors as an "isolated black box" between the input and output and only few studies explore boards in context or take a behavioral perspective into account. These studies have been criticized for lacking both a contingency [Aguilera and Jackson2003, Davis and Useem2002] and a behavioral [Finkelstein and Mooney2003, Forbes and Milliken1999] perspective.

Contingency theory [Bryman and Bell 2003] is widely used in management and business research and explains the interrelationships among subsystems as well as the relationships between the organization and its environment. The underlying assumptions that guide research in a contingency perspective are according to [Schoonhoven1981]:

- there is no one best way to organize,
- any particular way of organizing is not equally effective under all conditions,
- in order to be most effective organizational structures should be appropriate to the type of work and the environmental conditions faced by the organization

By taking various factors in the environment of a company into account, contingency theory is adopting a solution seeking-focus and providing a guide to managerial action based on the „best fit“ in a particular situation. Following the findings of [Gabrielsson and Huse2004, Huse and Gabrielsson2004] we are taking these contingency factors into account in order to analyze the firm's context, its corporate governance understanding and its general stakeholder orientation implemented in its strategy, structure and culture as explaining variables of divergent board aspects. By this we assume that we will be able to formulate managerial implications to guide board composition and processes towards a "good fit" regarding the implementation and benefit potentials of stakeholder relationships on the board of directors' level for companies in different contextual settings. Based on the Swiss legal context the thesis defines the following

¹⁶ The review is concerning four U.S.-based (Academy of Management Journal (AMJ), Administrative Science Quarterly (ASQ), Journal of Management (JoM), and Strategic Management Journal (SMJ)) and two international general management journals (Journal of Management and Governance (JMG) and Journal of Management Studies (JMS))

variables as contextual factors of a company, which are supposed to influence the composition, structure and processes of the board of directors. Based on the insights from these propositions, a company specific setting can be evolved, regarding its stakeholder orientation in corporate governance understanding, its board size and its board composition.

5.5.1 Size of the Company

Some authors consider firm size to be the contextual factor with the largest impact on boards and governance and with strong interrelations to other company factors (e.g. international business orientation, environmental complexity and uncertainty, public scrutiny) included in this framework. In general, larger companies are more complex and need more managerial skills than smaller firms. Therefore, larger companies are presumed to have more diverse directors [Finkelstein and Hambrick1996] introducing a higher heterogeneity in business and educational skills. Additionally, it seems not to be astonishing that empirical studies indicate a positive relationship between the size of the company and the size of the board of directors. In general, bigger companies have board sizes above the recommended optimal board size of seven to eight directors [Pfeffer1972, Zald1969], and therefore benefit from the advantages of large boards as further outlined in [section x](#). From a stakeholder oriented point of view firm size influences the importance of the company's activities for society as well as its economic, social, political and environmental impact. Waddock and Graves suggested that large firms „attract more attention from external constituencies and need to respond more openly to stakeholder demands“ [Waddock and Graves1997]:307. Therefore large organizations are more visible and by this under greater attention and scrutiny of external constituencies [Salancik and Pfeffer1978, Powell1991, Dobbin et al.1993, Waddock and Graves1997, Luoma and Goodstein1999]. Correspondingly empirical evidence shows, that the size of the company is positively related to the level of social responsibility and responsiveness [Miles1987, Waddock and Graves1997, Halme and Huse1997] of the company. By taking these factors into account one can assume that bigger firms take a role model function in corporate governance and stakeholder management and are more likely to include stakeholders in their corporate governance understanding and system (e.g. board composition and structure). We therefore conclude by the following propositions:

*The **Size** of the company influence the board composition and the inclusion of stakeholders on corporate boards.*

- *Larger companies are more likely to be aware of stakeholder concerns and include different stakeholders on corporate boards*
- *Larger companies are more complex and need a higher heterogeneity in managerial skills and knowledge by board composition*

5.5.2 Industry

The industry and the competitive environment of the company are among the factors that, in general, are supposed to influence the corporate governance system of the

company [Huse2007]:139ff. From a stakeholder point of view companies in the same industry share similar sets of strategically relevant stakeholders. Additionally, corporate governance systems vary significantly due to the primary resources (knowledge intensive versus capital intensive firms) of an industry [Huse2003, Grandori2004], or by the internationalization (local/national orientation versus global/international orientation) of the company and by this influences the strategic importance of specific stakeholder groups. We therefore conclude:

*The **industry** of a company influences the specific skills needed on the boards of directors as well as the strategic importance of specific stakeholder groups and therefore the importance of their inclusion by the board composition of a company.*

- *Companies from the same industry have a similar board composition*
- *Companies from knowledge intensive industries are more likely to have stakeholders included by board composition than companies from industries highly dependent from financial resources.*

5.5.3 Business Environment

Additionally, in stakeholder-sensitive industries, where the products and production processes of the industry are important or dangerous for the society, there may be particular emphasis on transparency in corporate governance and accountability regarding governmental and public concerns [Salancik and Pfeffer1978, Miles1987, Oliver1991, Scott1987, Scott1995]. These companies are either working in a strongly regulated business environment externally determining board composition and structure or are likely to take a role model function in corporate governance and stakeholder management in order to deal with the high public scrutiny. Pfeffer and Salancik stated for regulated industries [Salancik and Pfeffer1978]:168: „Regulation as a social process should require organizations to be more concerned about their relationship with the external environment.“ Similarly, companies working under high environmental uncertainty need early warning signals from their business environment and are therefore more likely to include stakeholder relationships on their board or board structure and processes. Therefore, boards in such industries will, more than boards in other industries, be related to various stakeholder concerns regarding corporate social responsibility and responsiveness [Halme and Huse1997] as illustrated in the following propositions:

*The **Business Environment** of the company influences the board composition and the inclusion of stakeholders on corporate boards.*

- *Regulated industries or industries under high public awareness are more likely to be aware of stakeholder concerns and are especially focused on socio-political stakeholders.*

5.5.4 Corporate Governance Understanding

In addition to the implications of contextual and situational variables influencing the stakeholder orientation of board composition and structure, the company can independently choose to apply a stakeholder oriented corporate governance understanding which should be reflected by a stakeholder orientation in the

composition and structure of the board of directors. We therefore distinguish between a broad corporate governance understanding and a narrow corporate governance understanding in correspondence to the definitions formulated in chapter 3. Generally we assume:

The corporate governance understanding (broad or narrow) of the company influences the stakeholder representation on the board of directors in its composition

We will analyze these assumption by the following SMI Analysis in more detail and try to evaluate similarities and differences of companies acting in the same contextual environment with regard to their board composition from a stakeholder perspective. In the following we will further develop these propositions by the evaluation of possibilities how stakeholders can be implemented by board composition and structure.

5.6 Implementing Stakeholders by Board Composition and Structure

To show the differences between boards it seems to be important for this study to clarify the general characteristics and elements of different board settings regarding to the implementation of stakeholders. Extant board research provides some rough guidance for the empirical study and the development of a research framework. Across the wide range of contributions, three main aspects of boards have been proposed and adopted in conceptual as well as in empirical research. Therefore the following sections outline these main board aspects, as aggregation, which can be clustered into the following three dimensions: board composition, board structure and board processes. Board composition and the board's formal structure have been used as focal dimensions in a majority of extant board research. Although, recent contributions have argued, that this perspective neglects the effects of numerous interaction processes inside and outside the boardroom, e.g. [Golden and Zajac2001, Forbes and Milliken1999]. In general, extant board research has mainly focused on board aspects from an input-output perspective, by considering a specific set of input variables in relation to the firm's financial performance or other intermediate outcomes as output variable (as illustrated in chapter 3). But obviously this perspective neglects the effects of board processes leading the input variables to the desired output. Therefore an input-process-output perspective of boards is proposed by various researchers in the field of board investigation, which explicitly considers the various processes on board level and their effects on company performance or intermediate outcomes [Forbes and Milliken1999]. The adopted framework of board investigation follows this suggestion and applies an input-process-output perspective to the inquiry into boards focused on their stakeholder relationships. The basic layout of the board investigation process was therefore divided into board composition, board structure and board-stakeholder processes and their potential outcomes. Relying on this framework not only helps in guiding the empirical search of relevant variables in each of these dimensions but also to tie resulting conceptual and empirical insights to past board research. In order to solve the research question of how stakeholders and stakeholder relationships can be

included by the design of the different board aspects we will in the following distinguish between direct and indirect stakeholder representation on the board of directors level.

5.6.1 Stakeholder Representation by Board Composition

The first element, based on the input perspective, focuses on the composition of boards based on an appropriate combination of the board members (board capital) due to their individual characteristics.

Board Capital

The challenge of board capital is mainly related to the question of how to find a proper balance of board members, a proper set of individual skills and experiences in order to find a group of people that can effectively work together [Huse2007]. It is therefore focused on the individual characteristics of each board member and their adequate combination. The analysis of the board members individual characteristics can be structured as illustrated in Figure 28.

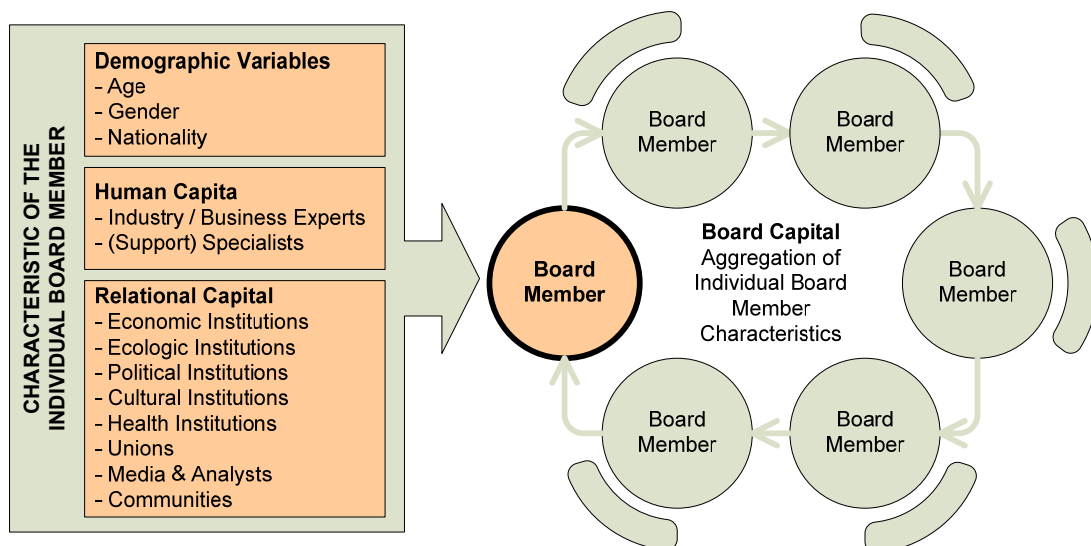


Figure 28: Board Capital.

From a stakeholder perspective it seems to be interesting to analyze, if in addition to the necessary board abilities in educational and business practice skills (Human Capital), the board members are also chosen and composed due to their non-economic stakeholder relationships (Relationship Capital) in order to represent the stakeholder-orientation of the company to the broader public and open up linkages to potentially relevant stakeholder groups that may provide benefits for the board and the company in future. Therefore, it seems to be important to analyze:

- The experiences and skills of board members (**Human Capital**) in their composition in order to fulfill the various tasks the board encounters at a

particular point in time. These experiences and skills of the individual board members not only provide the company with relevant business knowledge but additionally open up linkages to stakeholders that are either of economic importance for the company or provide the company with expert knowledge.

- The relationships each board member provides to the company by its individual network and background to socio economic stakeholders that are generally of non-economic importance but reflect the broader stakeholder orientation of the company (**Relational Capital**).
- The demographic variables of each board members which opens up relationships to stakeholders with similar attributes. (**Demography**)

Accordingly this study is in the following especially interested in the question of how different set-ups in board composition will influence or open up stakeholder relationships and processes between the board and the corporate stakeholders. Stakeholder representation by board composition is strongly interconnected with the question of why a board member has been chosen to be appointed on corporate boards. The criteria for the nomination of board members and thereby the representation of stakeholders can be distinguished into direct representation and indirect representation of stakeholders as further outlined by the following sections:

Direct Stakeholder Representation

A board member is chosen due to his or her characteristics to represent a specific stakeholder group on the board of directors' level. In our research and as based on theoretical assumptions the direct representation of stakeholders can either concern the direct representation of shareholders (in the following labeled as „*shareholder directors*“) or of stakeholders (other stakeholders than shareholders, in the following labeled as „*stakeholder directors*“). Direct representation thereby provides knowledge and expertise with regard to the represented stakeholder or shareholder group and opens up constant communication and feedback channels to these groups. The stakeholder representation on the boards of directors by shareholder or stakeholder directors is the most direct way to include stakeholder concerns in the corporate governance system and policy decision making of a company [Jones and Goldberg1982]. Companies can therefore either have

- a general set of one or more strategically stakeholders represented by stakeholder directors or
- include relevant stakeholders by stakeholder directors due to upcoming issues
 - by replacing outgoing board members (needs short board member tenures; has no effects on board size) or
 - by adding new stakeholders to an existing board (needs flexible board size in statutes; increases board size)

In the following, a stakeholder director is only acknowledged by the thesis if the company states him as a direct representative of a specific stakeholder group in its annual report or further public available information material about the company. The

direct representation of shareholders refers to the stock ownership ratio of the board member. As outlined in chapter 2 of the thesis all board members have to be stockholders of the focal company we take board members with a remarkably high stock ownership ratio as shareholder directors.

Indirect Stakeholder Representation

A board member is chosen (solely or additionally) due to his or her characteristics to broaden or deepen the board capital and thereby indirectly represents stakeholders by its human capital and the individual board members characteristics to open up relationships to further stakeholders by its relational capital or demography (in the following labeled as „resource director“). We assume all board members to be resource directors (also if they were stated as shareholders directors or stakeholder directors before) due to the fact that each director increases board capital due to his specific characteristics in human and relational capital and thereby supports the board with his individual network of relationships to various stakeholders. Whereas the focus of the relationship is clearly defined for the direct representation of stakeholders, the indirect representation of stakeholders by members of corporate boards needs to be analyzed in more detail. We therefore refer to the categorization of the resource dependence roles of directors [Hillman et al.2000] and the underlying assumption from resource dependency theory, that the corporate need for external linkages should affect board composition [Pfeffer and Leblebici1973, Salancik and Pfeffer1978]. By this general categorization of board capital, adapted to the need of the empirical analysis, stakeholder relationships and concerns can be included by board capital. Therefore, besides the direct representation of stakeholders, which is intended to open up links to a specific stakeholder group represented by the board member, the human and relational capital characteristic of the individual board member shapes the indirect representation of further stakeholders and by this opens up potential channels to stakeholders on corporate boards. Resource directors thereby open up relationships to stakeholders by their individual network of stakeholder relationships based on the individual directors' characteristics (relationships and knowledge about and from stakeholders with similar demography), its human capital (relationships and knowledge about and from resource base and industry structure stakeholders) and its relational capital (relationships and knowledge about and from socio-political stakeholders).

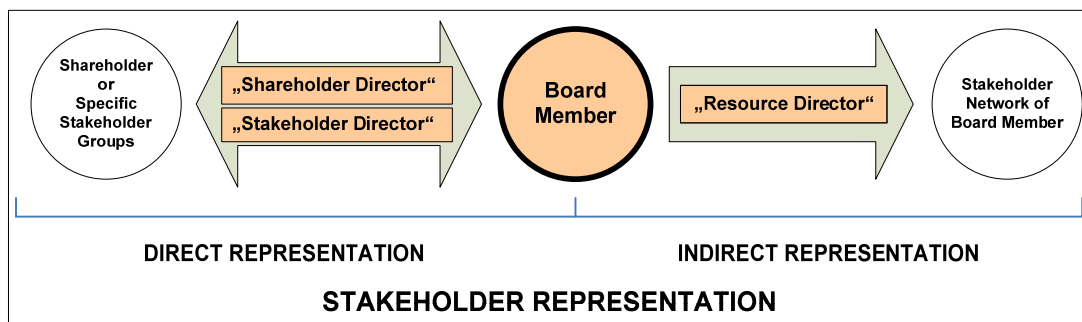
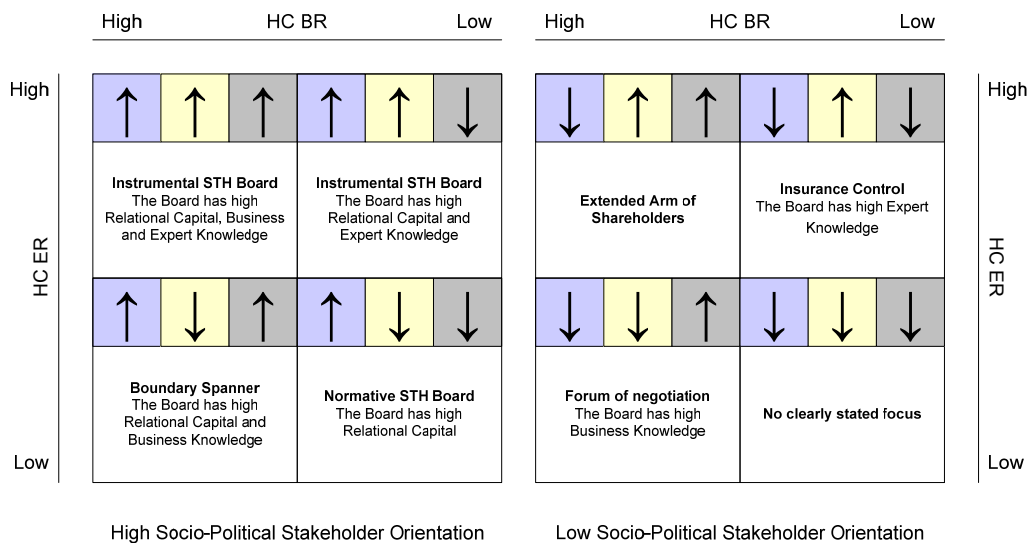


Figure 29: Stakeholder Representation by Board Composition

With regard to stakeholder representations we therefore analyze first, if a board member directly represents a specific stakeholder group and can therefore be stated as either a stakeholder director, a shareholder director or if he takes no clearly stated direct representation function of a specific stakeholder group and therefore only indirectly represents stakeholders on the board of directors' level as a resource director. As all directors are perceived to contribute to board capital, the inclusion of stakeholder relationships on the board of directors' level will be further analyzed for all directors (even if they were stated as stakeholder or shareholder directors) by the indirect representation of stakeholders due to the human and relational capital of the individual board members. The framework of analysis for the indirect representation of board members can be illustrated by the following figure:



As both possibilities of stakeholder inclusion by board composition can be used by the company simultaneously. But in both ways, the company has to consider an adequate composition of direct and indirect stakeholder representation due to its firm-specific set of strategically relevant stakeholders.

5.6.2 Stakeholder Representation by Board Structure

The second element is focused on the structure of the board represented by the number and task of committees as well as other institutions and processes established to support the board of directors in fulfilling its tasks. **Fehler! Verweisquelle konnte nicht gefunden werden.** illustrates the dimensions of the board structure as relevant in the further analysis of the thesis.

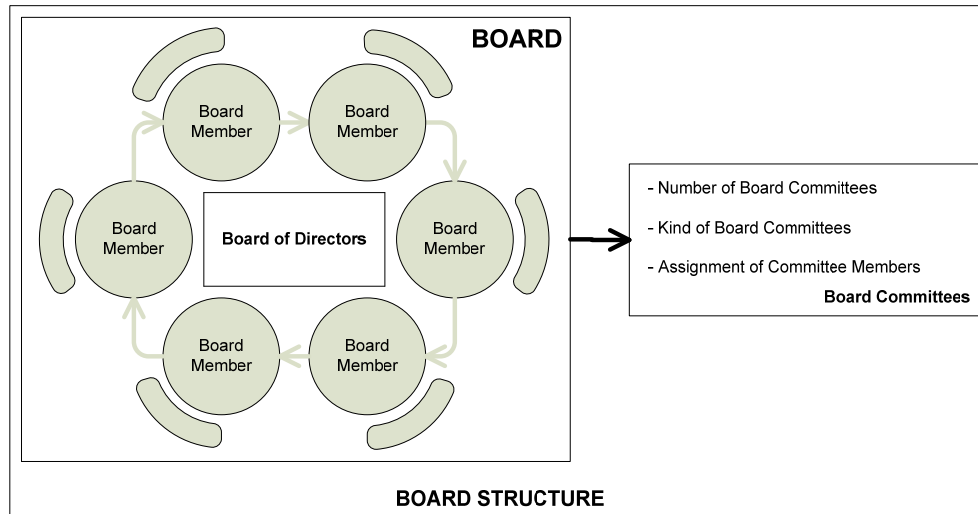


Figure 30: Board Structure.

According to the focus of investigation in board structure this study is especially interested in the question on how these structural differences between boards can benefit the board in fulfilling its tasks and support interaction processes between boards and stakeholders.

Stakeholder representation in corporate governance can also occur through board committee structure and processes. Committees can be seen as an increasingly visible and important medium for maintaining legitimacy with external bodies [Harrison1987]. The appointment of stakeholder directors or resource directors with strong stakeholder relationships to important steering committees of the board signals the importance of the stakeholder orientation to external and internal constituencies and therefore enhances the company's legitimacy [Luoma and Goodstein1999]. Additionally, the inclusion of stakeholder directors or resource directors with strong stakeholder relationships on key steering committees grants the influence of stakeholder concerns on strategic decisions due to the fact that much board action and policy making originates in one or more of the committees of the board [Kesner1988, Anderson and Anthony1986, Braiotta and Sommer1987]. Again the stakeholder representation by board structure can be distinguished between

- Direct Stakeholder Representation on Board Steering Committees by stakeholder or shareholder directors
- Indirect Stakeholder Representation on Board Steering Committees by resource directors

Additionally, stakeholders can be included in board structure by adding a special committee composed of (external) stakeholders [Evan and Freeman1987] or board members (stakeholder directors/resource directors) related to specific stakeholder, social, political and environmental issues (e.g. public policy, corporate responsibility, sustainability committees) [Harrison1987]. If the committee is composed of direct

representatives of stakeholders (external stakeholders) its functions are limited to an advisory committee.

- External stakeholders on special committee (advisory committee)
- Board Member (resource director, stakeholder director or shareholder director) on special committee (steering committee)

5.6.3 Stakeholder Representation by Board Composition and Structure

The following figure shows the different possibilities of stakeholder representation by board composition and structure. The two dimensions of a board composition, structure and processes, thereby reflect the intensity and importance of integrating stakeholder concerns as well as the ability of the corporation to gain the benefit creation and risk reduction potential of stakeholder relationships [Luoma and Goodstein1999]. But until today only little research has been undertaken in order to analyze how this argumentation has influenced the practice of corporate governance and by this the composition, structure and processes of boards of directors regarding the strategic stakeholder management of a company. Figure 31 illustrates the six types of stakeholder orientations that can be distinguished through the composition and structure of boards.

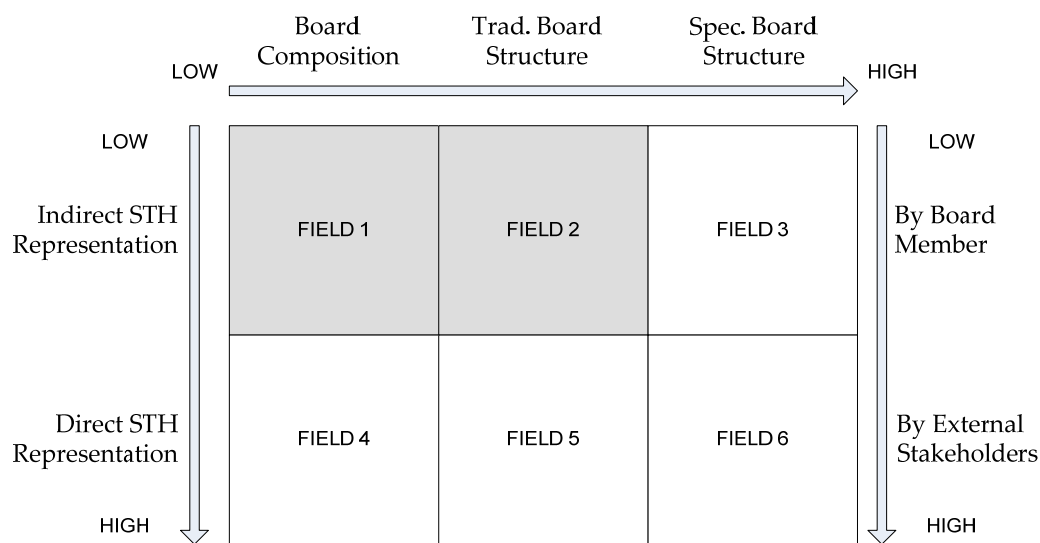


Figure 31: Types of stakeholder orientations by the composition and structure of boards.

- Field 1** The focal company has applied resource directors to its board composition and by this indirectly represents stakeholders and opens up stakeholder relationships due to the human and relational capital of the board of directors.
- Field 2** The focal company has applied resource directors to its board structure and by this indirectly represents stakeholders and opens up stakeholder relationships due to the human and relational capital of the board of directors.
- Field 3** The focal company has applied indirect stakeholder representation by a stakeholder oriented board structure as steering committee.

- Field 4** The focal company has applied stakeholder and / or shareholder directors to its board composition and by this directly represents stakeholders and constant stakeholder relationships.
- Field 5** The focal company has applied stakeholder directors to its board structure and by this directly represents stakeholders and constant stakeholder relationships.
- Field 6** The focal company has applied indirect stakeholder representation by a stakeholder oriented board structure as advisory committee.

As an example, if a company has not applied a direct representation of stakeholders by their board composition and structure (Field 4 and Field 5) and the company has not implemented a specific board structure including committees concerned with stakeholder, responsibility or sustainability issues (Field 3 and Field 6), the board-stakeholder relationships attained from indirect stakeholder representation by board capital will be analyzed by board composition (Field 1) and board structure (Field 2).

5.7 Benefit and Risk Reduction Potential by Stakeholder Implementation

The third element evaluates the various possibilities of the board interactions with its stakeholder environment. The interactions among the individual board members are not in the focus of interest of the thesis' investigations and will therefore be treated in the following as black box. Figure 32 illustrates the dimensions of the board interaction processes as relevant in the further analysis of the thesis.

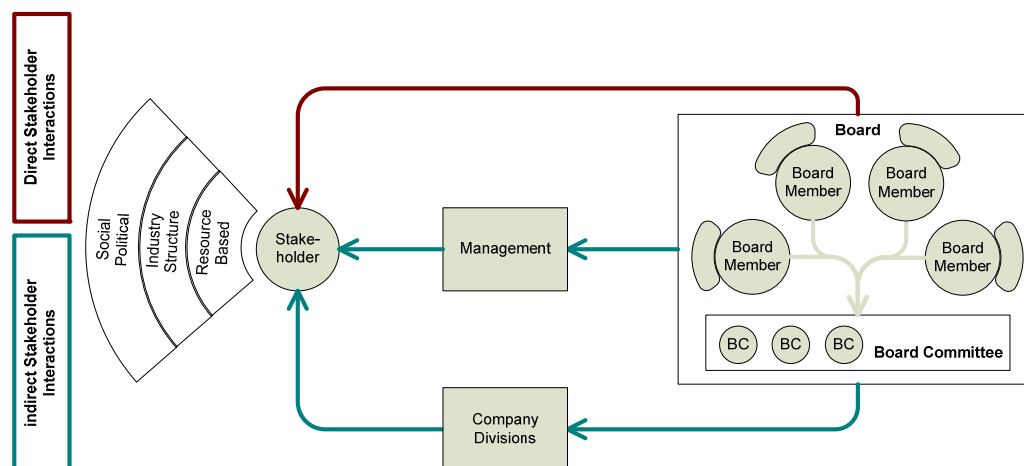


Figure 32: Board interaction processes.

Accordingly, the interaction processes are evaluated from a wealth creation perspective, which means the study, will analyze the ability to realize benefit potentials as implemented by stakeholder relationships by the composition and structure of boards. The interaction with external constituencies, should therefore give the board the capability to better solve the particular set of board tasks at a given point in time and provide benefits for the company.

Category Label	Definition and Example
Value Creation	Stakeholders that provide a value to the company. These Stakeholders have four different kinds of impact on the value creation process. Each stakeholder has specific risk- or benefit-potentials for the company.
Benefit Provider	This stakeholder adds benefit to the company (e.g. employee doing his job) and is part of the value creation process.
Benefit Receiver	The stakeholder receives a benefit from the company and the company is an important part of his value creation (custom made goods for special customers).
Risk Bearer	Through the interaction with the company this stakeholder has to bear a risk. This includes risks through direct interaction with the value creation process (e.g. suspension risk for employees, contamination risk for inhabitants of the company's agglomeration).
Risk Provider	This stakeholder provides a risk through his interaction with the company which has a disadvantageous impact on the company's value creation chain.

Table 5: Definition and Examples of the Value Creation Category Labels.

5.8 Summary and Conclusion

The three building blocks of the board framework are interdependent and can not be analyzed in isolation. The interdependencies are obvious but can not be solved by an analysis of the extant empirical research. Therefore the composition and structure of the board will be understood as capability factors of the board to interact with various corporate stakeholders. In the following chapter we will further outline the methodology of the empirical analysis in order to evaluate the above mentioned dimensions and interdependencies in between of them.

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CHAPTER 6

1

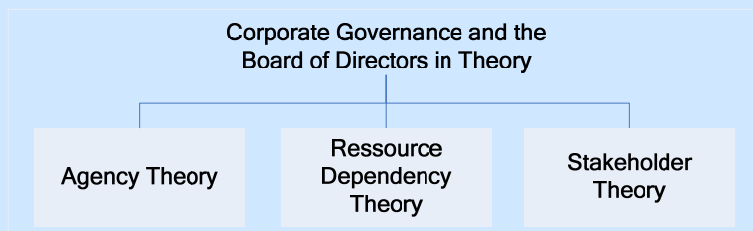
Introduction

2

Corporate Governance & the Board of Directors in Switzerland

3 & 4

Theoretical Background



5

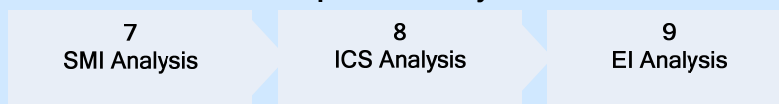
Framework of Analysis

6

Methodology

7-9

Empirical Analysis



10

Findings & Conclusions

6 RESEARCH METHODOLOGY

The methods of management and business research are closely tied to different visions of how organizational reality should be studied.

[Bryman and Bell 2003]

6.1 Introduction

6.1.1 Goals of the Chapter

As stated by Bryman and Bell the decision for a specific research method is linked to the way in which the researcher „envisions the connection between different viewpoints about the nature of social and business reality and how they should be examined“ [Bryman and Bell 2003]:4. The chosen research methods as well as their configuration therefore have a strong influence on the proceedings and outcomes of the research undertaken. As the chosen research method must lead to adequate data in order to solve the underlying research question it has to fulfil the needs and interests of the researcher as well as to fit the conditions of the research object, the underlying theory and concepts. Therefore the chosen methodological approaches, theories and concepts as well as the sources of data and instruments of interaction must be consistent with the theoretical positioning of the thesis. Based on these assumptions the following chapter describes the chosen research design and methodology and explains how and why data is collected to investigate the research question and the research issues identified.

6.1.2 Road Map of the Chapter

First, after the evaluation of potential research paradigm, design and methods in management and business research the chapter will show up the selection of an appropriate research paradigm, design and method for this thesis derived from both, the researcher's interest and the thesis research question and sub questions. Second, the theoretical positioning of the chosen research method of this thesis in the evaluated framework of possible research methods by showing up how the positioning impacts the thesis' theory building process. In the following we aim to explain why a case-based investigation appears to be the most appropriate approach to answer the research question. And third, in a conclusion the achievement of the three main goals of this chapter will be evaluated and the implications of the chosen research method will be summarized.

6.2 Research Design

Design is the choreography that establishes the research dance.

[Janesick; 1994]

Research design is the process by which the investigation is planned in order to answer the underlying research question [Berg2001, Kumar et al.1993, Zikmund2000]. The research design is used to structure the research, to show how all of the major parts of the research project - the underlying paradigm, the samples or groups, the measures, treatments or programs, and methods of assignment - work together in order to address the central research question.

The design for a research project is literally the plan for how the study will be conducted [...] thinking about imagining and visualizing how the research will be undertaken.

[Berg2001]:28

As stated by Berg a research design can be literally described and visualized [Berg2001]:28. Figure 33 illustrates the basic structure of the research design and outlines the relevant aspects for each of the three parts in empirical analysis according to Yin, who states that a research design has to be literally described by [Yin2003]:20:

- What questions to study (see section 6.2.1 for a review of the research questions)
- What kind of data will be used and how to collect the data (see section 6.3-6.5 for data and data collection techniques)
- How to analyze the results and the criteria how to interpret the findings (see section 6.3-6.5 for data analysis techniques and data interpretation)

In the following I will outline these various elements of a research design, how they can be classified and how they are related to each other based on the fact that understanding the relationships among the various design elements is important in making design choices and thinking about the strengths and weaknesses of different research designs. Additionally by illustrating the research design in detail I provide a guide for subsequent investigators to reference or expand the study and by this increase the quality of investigation¹⁷ [Yin2003].

¹⁷ As stated by Berg a proper set-up of the research design increases the viability of research by an early identification and solution of problems that could occur in the fieldwork phase of research [Berg2001].

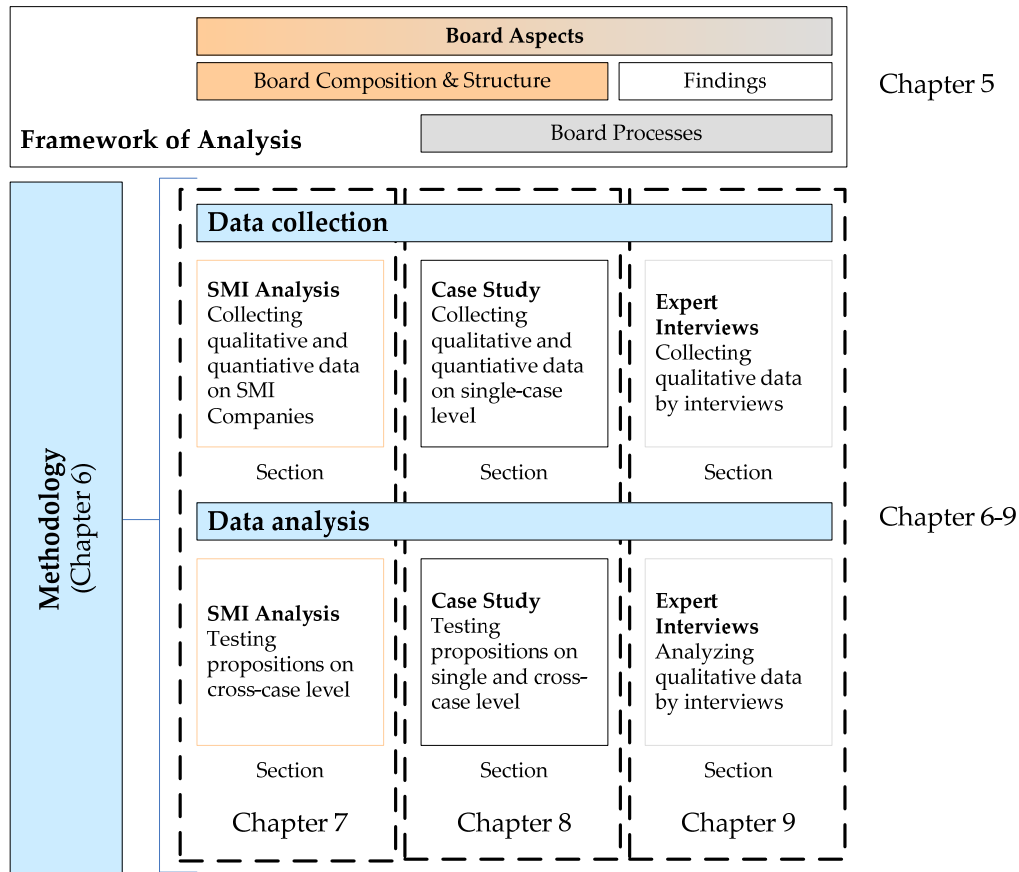


Figure 33: Basic Structure of Research Design

6.2.1 Research Questions

The thesis is motivated by the following central research question (see also chapter 1, section 1.4):

MQ: How should the board of directors be designed and how should it operate in order to benefit from stakeholder relationships in a Swiss corporate governance perspective?

In order to solve the overall research question the empirical part addresses the following sub-questions:

SQ1: What are the determinants of board aspects and stakeholder relationships?

SQ2: What are the beneficial impacts of stakeholder relationships on the board of director's level for the board in fulfilling its roles?

The analysis of these two sub questions will lead to the evaluation of the possibilities to establish stakeholder relationships on the board of director's level as well as to conclusions regarding the importance and advantages of stakeholder relationships for the board and corporate governance. While SQ1 is focused upon the evaluation of board aspects as input factors, relevant for the implementation of stakeholder relationships, SQ2 is interested in the processes and beneficial outcomes of stakeholder relationships on the board of directors' level.

As stated by Yin [Yin2003] the research methodology is initially formed by these research questions posed, the nature of the research issue, the control the researcher has over the actual behavioural events and the current state of knowledge. By taking these aspects into account we can make the following statements that influence the decision of our research methodology:

- While the research is descriptive in nature as it seeks to describe stakeholder relationships on the board of directors' level based on contextual and company specific factors (SMI Analysis, see chapter 7), how they are utilized and sustained in three Swiss companies (Case Study Analysis, see chapter 8) the thesis additionally seeks to evaluate how stakeholder relationships are linked to and benefits the board and thereby indirectly the company by the formulation of managerial implications (Case Study Analysis and Expert Interviews, see chapter 8 and 9) it therefore also takes an exploratory approach.
- Because the thesis aims to analyze both, the current state of the art in board composition and structure as well as complex social phenomena such as stakeholder relationships on the board of directors' level and the evaluation of their outcomes, a pure quantitative approach tends to be incapable of the topic. While the research question and issues posed in section 6.2.1 of this chapter, are how and why type questions they form the basis upon which the research methodology is developed [Guba and Lincoln 1994, Yin2003]. As case studies appear to be particularly suitable when „*it is intended to understand contemporary complex social phenomena*“ [Sachs and Rühli2004]:3 within a real life context [Yin2003]:3 we will try to examine in the following if the thesis fulfils the needs and criteria of a case study approach and which case study research design appears to be the most promising avenue for the project.
- The theoretical and empirical literature search regarding the research topic led to the conclusion that very few studies in the corporate governance realm are focused upon stakeholder theory and board stakeholder relationships [Huse 1993] as well as that in my opinion no study was focused on the potential benefits of different stakeholder relationships for the board and the company so far. Due to this currently low state of knowledge the descriptive as well as exploratory character of the thesis can be supported.

Based on these findings I decided to approach the topic from different methodological perspectives, which seems to be appropriate for the thesis. The data collection and analysis process is divided into three steps covering two different sources of data input. I decided to combine *quantitative and qualitative analysis* in order to benefit from the advantages of both methodological approaches and limit the negative side effects [Brewer and Hunter 1989]. By a non-reactive method of data collection and quantitative analysis (SMI Analysis), the negative effects of the influence of the researcher on the data (e.g. researchers influence on interviewees, [Guba and Lincoln 1994]) was limited. On the other hand, the qualitative method, using interviews in order to evaluate the perceived benefits provided by stakeholder relationships on the board of directors' level in three case studies as well as to reflect the overall findings by

expert interviews from different perspectives, allows me to appropriately respond to the complexity of the issue.

Figure 34 illustrates the three parts of the empirical analysis related to their focus of interest and expected outcomes:

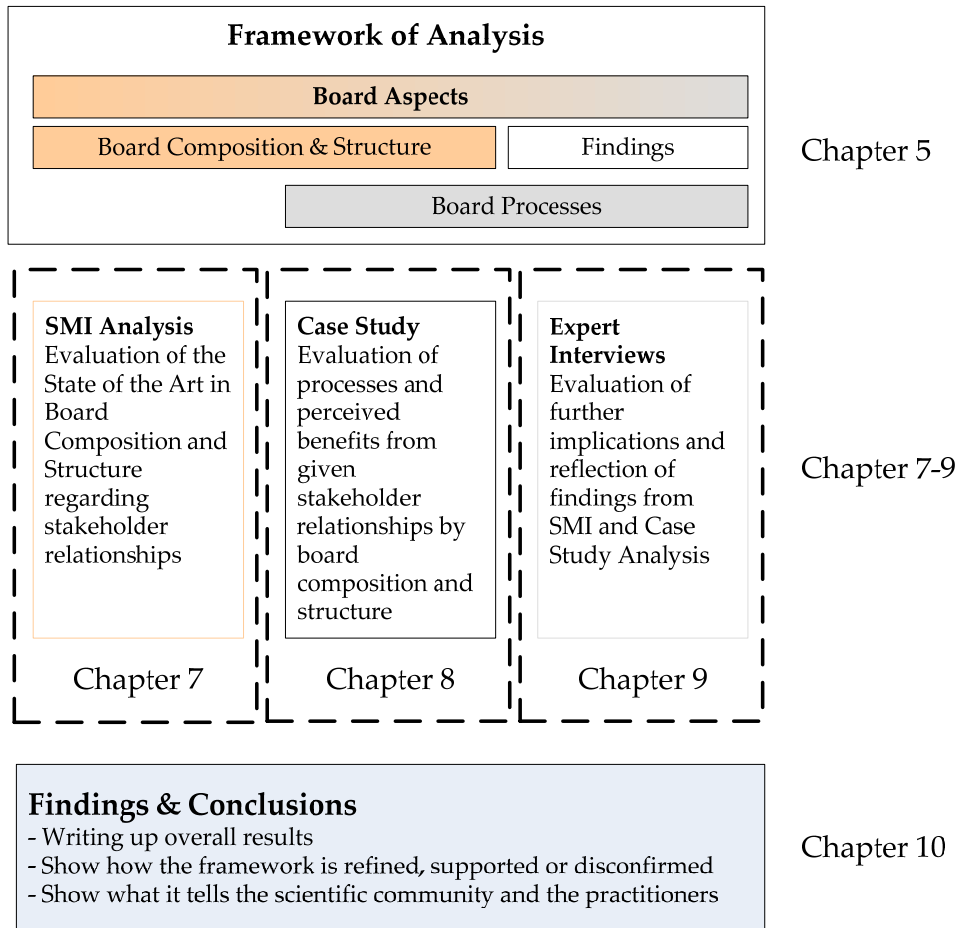


Figure 34: Parts of the Empirical Analysis

In the following we will outline the methodology, the case definitions and selection criteria as well as the data sources, collection techniques and the criteria on how to interpret the findings for each of the empirical parts, in the following referred to as „SMI Analysis“, „Case Study Analysis“ and „Expert Interviews“.

6.3 SMI Analysis

6.3.1 Sample Rationale

The sample frame of the SMI Analysis consists of companies that were listed on the Swiss Market Index (SMI) of the Swiss Stock Exchange (SWX) at the end of the year 2006. The SMI market equity index belongs to the SMI® Family which encompasses three indices issued by the Swiss Exchange Commission (SWX): the Swiss Market Index (SMI®), the SMI MID (SMIM®) and the SMI Expanded (SMIEX®). While the SMI

family represents the entire Swiss stock market, the SMI only contains of the largest and most liquid stocks. The SMI is therefore Switzerland's blue-chip index, which is made up of the 25 largest and most liquid SPI (Swiss Performance Index) large- and mid-cap stocks. The securities contained in the SMI currently represent more than 90 percent of the entire market capitalization, as well as 90 percent trading volume, of all Swiss equities listed on the SWX. Because the SMI is considered to be a mirror of the overall Swiss stock market, it is used as the underlying index for numerous derivative financial instruments such as options, futures and index funds¹⁸.

The decision to concentrate on listed companies of the SWX and especially on the SMI was based on the following underlying assumptions:

- By taking an interest in the issue of corporate governance from an agency theory perspective the thesis assumes that ownership and control are separated in a company. This separation can lead to conflicts of interest between shareholders and managers and this is most likely to occur in companies whose shares are publicly traded on the Stock Exchange.
- From a resource dependency perspective the SMI sample is composed by the biggest companies in the Swiss market. By the assumption of resource dependency theory, that bigger companies have bigger boards and bigger boards include more linkages, the companies in the SMI sample are supposed to have high numbers and a wide heterogeneity of linkages to other companies and constituencies in its economic and socio-political environment.
- From a stakeholder perspective the topic of corporate governance also raises the public interest in the management of large and financially important companies due to the strong economic and social impacts of their actions. The SMI represents the most important companies of the Swiss Market from a financial perspective and therefore we perceive these companies to be under high public scrutiny and therefore of be of higher awareness regarding the responsibility towards stakeholders as well as their benefit and risk bearing and providing potential.
- Listed companies have to disclose more information than others. Companies listed on the Swiss Stock Exchange have to follow at least the Corporate Governance Directive of the SWX based on a „comply or explain“ treatment¹⁹. But due to their high international focus they are perceived to follow also other corporate governance regulations, which lead to more detailed information on the board of directors important for the following analysis.

Therefore the data provided by the SMI listed companies seems to be promising for the purpose of the thesis to develop an overall picture of the status quo in Swiss corporate

¹⁸ For further information on the SMI and the SMI Family please refer to:

http://www.swx.com/trading/products/indices/stock_indices/smi/smi.html

¹⁹ For a full list of the directives listed companies have to rely on please refer to:

<http://www.swx.com/admission/regulation/guidelines.html>

board composition by individual board member characteristics and how the different set-ups of boards are influenced by selected contextual variables of the company.

6.3.2 Data Collection

In order to analyze the individual board member characteristics as well as the board composition of the SMI listed companies, the annual reports and publicly available publications related to the topic of corporate governance of the year 2006 were collected mainly by accessing the companies' web pages on the internet²⁰. From these documents general information on the company and its corporate governance system as well as information on the individual board members and therefore on the board composition was deduced. By taking the annual reports as primary data source I was able to assure the data to be comparable for the qualifying year of 2006 for all companies. But according to prior studies on boards of directors, e.g. [Burke and Mattis2000, Burke1997, Carter et al.2003, Carpenter and Westphal2001, Philpot and Peterson2006], the data collection of this thesis was also bothered by the fact that director demography and background data was difficult to obtain due to the lack of uniform timing and format or detail of firm reports. Additionally, unforeseen changes in board composition during the year 2006 have caused a lack of information for new appointed or dismissed board members. Beside the information provided by the companies the data collection was therefore widened by an additional search of the internet (between June and August 2007) and the Who's Who (in Finance and Industry) in order to achieve further biographical data of the board members. By these further data sources several gaps were filled and the thesis additionally strives for a stronger data triangulation.

6.3.3 Data Analysis

In order to further analyze the collected data all documents were transformed into text files to be processed by computer-supported data analysis software²¹. The software allows computer-assisted coding and supports further qualitative and quantitative analysis which is not only important and adequate for the SMI board analysis (with a stronger quantitative than qualitative focus) but also for the subsequent in depth case studies (with a stronger qualitative than quantitative focus). The complete code list, used for analyzing the collected data, can be found in the appendix of this chapter.

6.4 Case Study Analysis

6.4.1 Case Study Methodology

Due to the fact that board-stakeholder relationships and its implementation in practice is still relatively unexplored, both in stakeholder theory and in strategic management literature. The lack of theoretical understanding and empirical results might be caused by the fact that these stakeholder relations are a complex social phenomenon with no

²⁰ For a complete list of the internet resources please see appendix x.

²¹ These are Atlas.ti, ver. 5.0 and inVivo, ver. 7.0.

clearly evident boundaries to its context. The dynamic and complexity of the topic as well as the focus of the investigation on contemporary events does not allow the control over behavioural events. In addition to its descriptive (How?) and instrumental (Why?) perspective the research questions therefore fulfils the needs of the three selection criteria for the application of the case study method as stated by [Yin2003]:5:

- Research questions focusing on „how“ and „why“
- No control over behavioural events
- Focus on contemporary events

While these criteria seem to be fulfilled by the research question and the object of investigation we will therefore outline in the following the chosen case study approach.

6.4.2 Case Study Design

Defined by Yin a case study is *„an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.“* Based on Yin [Yin2003] and Swanborn [Swanborn1996] a case study therefore tend to be the appropriate approach if it is difficult or even impossible to separate the investigated situation from its context and offers by that the possibility to explore the proposed research question in its entire complexity. Thereby the case study method does not describe one single approach of doing research but includes various types of research designs. The third step by Yin [Yin2003]:20 therefore defines the basic case study design by covering the units of analysis (i.e. case definitions) as well as the quantity of cases. Based on the chosen number of units and cases to analyze, Yin distinguishes between four types of basic case study designs [Yin2003]:

- (I) single-case holistic design,
- (II) single case embedded design,
- (III) multiple-case holistic design and
- (IV) multiple case embedded design.

The distinction between holistic and embedded case studies refers to the chosen unit of analysis. While embedded case studies aim to investigate several units of analysis per case, the holistic design focuses only on a single unit of analysis [Yin2003]:52. Although nearly every subject can be defined as single (holistic design) or multiple (embedded design) unit(s) of analysis it is important to make a choice and specify in order to set the focus of the research. The units of analysis in the present thesis can be defined by the proposed research question and in an Input-Process-Output perspective: As an input variable the thesis focuses on the characteristics of the Board of directors, on the board-stakeholder relationships as basic condition for interactions as process variable and the gained benefits from board-stakeholder relationships as output variable. The number of the units of analysis leads to an embedded design with multiple units of analysis. While a single case design has the advantage that a phenomenon can be

studied very deeply, which would fit the demands of studying a complex social phenomenon like board-stakeholder interactions, the thesis has to follow a multiple-case study design in order to answer the central research question and its related sub-questions. A multiple-case design offers the possibility to compare the findings of the different cases with each other but phenomena are studied in a more general way. Corresponding to Yin's typology the basic case study design of the present thesis is therefore a type (IV) multiple-case embedded design. Yin additionally offers a third dimension based on the focused „research goals“. According to Yin, research goals can be differentiated in descriptive, explanatory, and explorative [Yin2003]:5.

- Exploratory. This type of case study aims to define the questions and hypotheses of a subsequent study or tries to determine the feasibility of the desired research procedures.
- Descriptive. The complete description of a phenomenon within its context is the goal of a descriptive case study.
- Explanatory. This kind of study presents data bearing on cause-effect relationships with the intention to explain which causes produced which effects.

The appropriate case study type is therefore additionally chosen according to the structure of the research problem to be answered. Past research of boards has shown that it is highly difficult to gain empirical board access [Carpenter and Westphal2001] and additionally personal relationships and discussions in the run-up of the study with board members and researchers in the same field have confirmed these difficulties. Board matters are highly sensitive and the willingness of directors to disclose their activities and processes is limited for the purpose of a doctoral thesis. Thus I decided to pursue three cases instead of attempting to gain full access to one board, based on the assumption to summarize the findings and close potential gaps. Additionally the research question is also focused on the analysis of differences between the set up of boards and corporate governance structures in a stakeholder perspective in order to evolve important variables that influence the ability of the board to interact with stakeholders. Considering the underlying research question and the objectives addressed by this study as well as due to the important aspect of our thesis' contributions to develop a model of board-stakeholder interactions we employ from the six possible structures (linear-analytic, comparative, chronological, theory building, suspense, sequenced) the comparative case study approach [Eisenhardt1989, Yin2003] in this thesis. This structure combination is possible by either explanatory or exploratory case studies. Summarizing, we will conduct a comparative multiple embedded explanatory case study [Yin2003].

6.4.3 Selection Criteria of Cases

The cases are selected to both enable a high level of comparability and diversity at the same time. Two cases were chosen due to their specialties and their ability to outperform the SMI sample with regard to the findings of stakeholder relationships on the board of directors' level from chapter 7. A third company, which has a significantly

different board set-up and composition, was chosen in order to evaluate major differences. All companies are examples for strongly knowledge based companies and therefore seem to have the highest interest to benefit from stakeholder relationships on the board of directors level. As already stated these companies were selected in order to conduct case studies based on document analysis and qualitative interviews. The data collection and analysis process is thereby based on the Good Practices Stakeholder View research project, which analyzed six companies in the financial services and telecommunications industry in order to evaluate learning processes and good practices in the stakeholder management of companies.

Although the number of cases seems to be very small, the following table gives a short overview on the selection criteria and the balanced demands for heterogeneity and comparability of the cases in various dimensions.

Focus on:

- Swiss firms (home based and focused on Switzerland): contemporary research in stakeholder-interactions is nearly not existent; same cultural, social, economic and political environment;
- Regulation: same legal background but different company specific regulations; although all companies are highly regulated.
- Stakeholders: Due to knowledge orientation and service functions the companies share a similar stakeholder set but a different focus based on company history and background; similar development of the task and contextual environment;
- Financial services industry: strongly knowledge based, different business and product offerings; different social-political exposure;
- Board of directors: same tasks but different characteristics based on history and legal/economic/social background;
- Small number of cases: deeper insight and comparability;
- Data sources: differences and comparability in documents and qualitative interviews
- Data accessibility: granted; companies agreed to participate, secondary data material concerning stakeholder orientation and management in general;

6.4.4 Data Collection

As already mentioned in section x, a case study research design does not imply the adoption of a specific method of data collection, but rather a high likelihood of using multiple data sources [Yin2003]:3. The use of several data sources is referred to as triangulation. The term triangulation is a metaphor taken from navigation, where it refers to the process of using multiple reference points to locate an object's exact position. In research, it refers to an approach that uses „multiple observers, theoretical perspectives, sources of data, and methodologies“ [Bryman and Bell 2003]:291. According to Denzin, the benefit of employing triangulation is the resulting increase in

reliability and external validity of the findings of a research project [Denzin1978]. For this reason a case study research will be conducted in order to collect and analyze both quantitative and qualitative data to answer the proposed research question. To answer the research question the empirical study is based on a qualitative-explorative approach called Hermeneutic Classificatory Content Analysis (HCCA) and in order to analyze the SMI data and the case study research matrices will be used to link the data with the propositions and compare the findings of the different cases with each other [Miles and Huberman1994]. In order to deal with the amount of quantitative and qualitative data collected, matrices offer the opportunity to cluster the outcomes and display the findings in a pleasant manner.

6.5 Expert Interview Analysis

The expert interviews were undertaken to contribute valuable insights from different perspectives and a critical reflection and discussions of the findings from the extant empirical analysis of this study due to their specific professional and educational background. Figure 35 illustrates the perspectives according to which the persons interviewed were chosen and their statements were categorized, in accordance with their background and expertise.

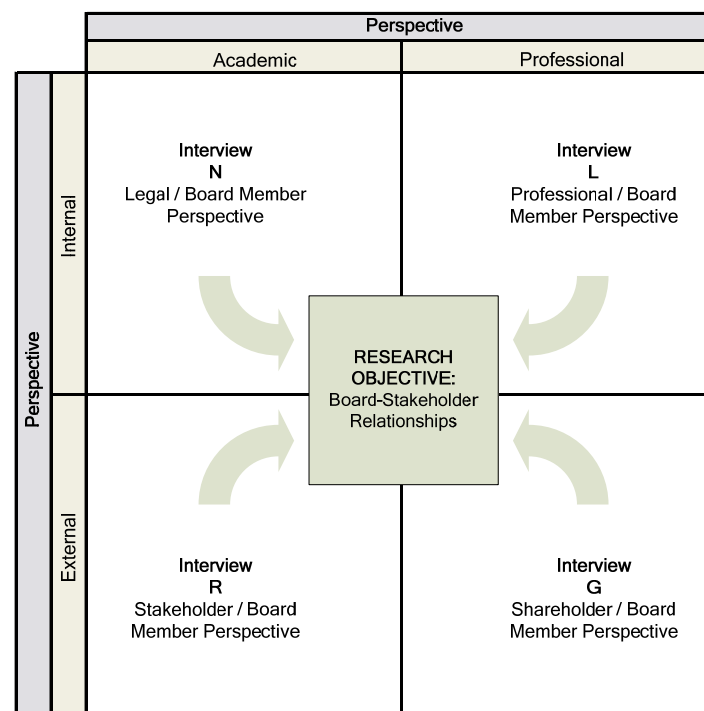


Figure 35: Selection of interview experts by different perspectives.

All chosen interview partners are currently holding at least one board mandate but were asked to answer the questions in a general way but from their specific perspective in relation to their expertise. Typically the interviews lasted between 45 minutes and one hour and were tape recorded. The audio stream was then transcribed and coded

by the dimensions and sub dimensions of the framework. Due to the high sensitive nature of the topic and of the statements cited in the following sections the individual quotation does not refer to a specific expert and is treated anonymously.

The interviews were conducted personally and took place face-to-face in the office of the respective interviewee. The interviews were roughly structured along the main dimensions of the conceptual framework as evaluated from extant board theory. In essence, the interview touched upon each of the four basic board aspects, the boards' tasks and the composition, structure and processes of boards regarding stakeholder relationships and their potential beneficial outcomes. In spite of this pre-structuration the interview was conducted as openly as possible with only a rough interview guide to ensure that all relevant topics were discussed. The interview guide is outlined in annex A of this chapter.

6.6 Conclusion

This chapter has outlined the research methodology and design used in the investigative process. The research question and issues have been reviewed, along with the setting of the investigation. From this, a combined quantitative and qualitative research strategy utilizing a multiple case study approach and semi-structured interviews was justified as being appropriate to the investigation being undertaken. The former sections thereby outlined the research process, sample selection, interview guide, data collection, data storage and the data analysis strategy.

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CHAPTER 7

1

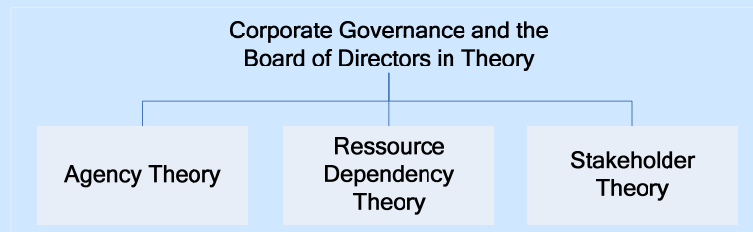
Introduction

2

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3 & 4

Theoretical Background



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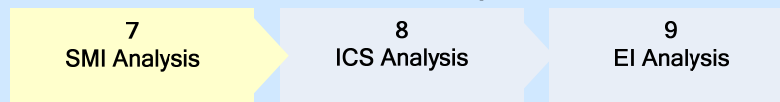
Framework of Analysis

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Empirical Analysis



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Findings & Conclusions

7 SMI COMPANY ANALYSIS

7.1 Introduction

7.1.1 *Goals of the Chapter*

The following chapters (chapter 7-9) will outline the empirical findings of the thesis. Therefore this chapter has two main objectives. First, it will evaluate the status quo of the Swiss corporate board composition and board member characteristics based on an analysis of the companies in the Swiss Market Index (SMI). Second, this first evaluation will set the basis for the further in depth analysis of the boards and board structures of three selected companies in the financial service industry of Switzerland.

7.1.2 *Road Map of the Chapter*

In order to achieve these two goals the chapter will be structured into the following parts: Section 7.2 will outline the general results of the SMI company analysis by providing some background information on the contextual variables of the sample data to the reader. Thereby the industry clusters (section 7.2.1), the company sizes (section 7.2.2), the knowledge orientation (section 7.2.3), the regulation and public awareness (section 7.2.4) as well as the board size (section 7.2.5) and the applied corporate governance understanding of the companies (section 7.2.6) are in the focus of interest as formerly stated by the framework of analysis. The subsequent section compares the basic data in order to evaluate if companies differ in their corporate governance understanding and board size due to its contextual variables (section 7.3). Section 7.4 will outline the data analysis and illustrate the findings relevant to achieve an overall picture of the SMI corporate board composition and individual board member characteristics from a board capital perspective as stated by [Hillman and Dalziel 2003]. Finally the chapter's last section (section 7.5) will summarize and combine the results in order to set the basis for the in depth case studies following.

7.2 Results of SMI Company Analysis

Originally a list of 25 companies was derived from the Monthly Report of the Swiss Stock Exchange number 05/07. Swatch Group N and Swatch Group I were consolidated due to the fact that both listings share the same board and corporate governance specifications. The final sample therefore consists of the following 24 companies as illustrated by the following table:

ABB	Givaudan	Novartis	SwissLife
Adecco	Holcim	Richemont	SwissRe
Baloise	JuliusBär	Roche	Syngenta
Ciba	Lonza	SGS	Synthes

Clariant	Nestlé	Swatch	UBS
CreditSuisse	NobelBiocare	Swisscom	Zürich

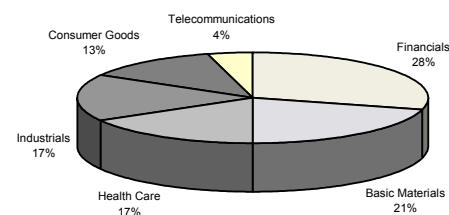
Table 6: SMI Company Sample

In the following we will outline the contextual factors of these 24 companies from the SMI sample.

7.2.1 Industry Clusters

Controls for industry have been included in most empirical contributions to existing board research (e.g. [Westphal and Zajac 1995, Dalton et al.1998, Dalton et al.1999] Murray, 1989). In order to analyze similarities and differences between the board of directors of the SMI companies we rely in the following on the industry clustering of the SMI and the industrial classification benchmark (ICB), differentiating between six major industries (Financial, Basic Material, Health Care, Industrial, Consumer Goods and Telecommunication). Due to the fact that the SMI encompasses the most important Swiss companies listed at the SWX from a financial perspective, the industry clusters are not uniformly distributed. The thesis takes this aspect by a separated analysis of the board and board member characteristics for each industry into account. Therefore the industry clusters will guide the further analysis of the board of director's member characteristics and composition.

Industries (IND)	Percentage	Number of Companies
Financials	29.17%	7
Basic Materials	20.83%	5
Health Care	16.67%	4
Industrials	16.67%	4
Consumer Goods	12.50%	3
Telecommunication	4.17%	1
Total	100%	24

**Figure 36: Industry Clusters all SMI Companies**

As illustrated by Figure 36, Financial Services is the biggest industry cluster in the sample (7 companies) and therefore provides 29.17% of all data, followed by the Basic Material industry (5 companies, 20.83%). Health Care and Industrials are each composed by four companies and therefore provide 16.67% of the data whereas Consumer Goods are composed of three companies (12.50%). Swisscom is the only company in the Telecommunications cluster due to the fact that it is the single hard-wire telecommunications and the biggest full-service provider in Switzerland.

7.2.2 Company Size

Although all companies in the SMI sample are large, relative to the majority of companies in Switzerland, there are differences in corporate size also included in the SMI sample. Company size (CS) was therefore used as a control variable because of its association with firm performance and governance [Dalton et al.1998]. Here I used the number of employees (CS_EMP) and the number of sales (CS_S) as indicated by proxy

statements for the year 2006. The SMI companies strongly vary in their number of employees (from 1800 (Nobel Biocare) to 265000 (Nestlé)) and in their sales (from 982 Mio. CHF (Nobel Biocare) to 98458 Mio. CHF (Nestlé)) for 2006. Company size is taken as low if both variables are rated as low, as medium if one of the measures is rated as high and the other as low, and as high if both measures are rated as high. As illustrated in Figure 37, 13 companies were rated as low in size, which resembles 54.17% of all companies, seven companies were rated as medium sized (29.17%) and four companies were rated as high in size (16.67%) relative to all companies in the SMI sample.

Size (S)	Percentage	Number of Companies
low	54.17%	13
medium	29.17%	7
high	16.67%	4
Total	100%	24

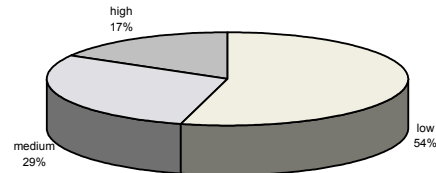


Figure 37: Size Clusters all SMI Companies

Regarding the industry clusters Table 7 shows that the biggest companies in the sample are based in the Consumer Goods industry. Financials, Health Care and Industrials consist on average of medium sized companies whereas Basic Materials and Telecommunications include rather small companies as stated by their sales and number of employees.

Industry		Company Size
Number of Companies	Industry Cluster	
5	Basic Materials	low
3	Consumer Goods	high
7	Financials	medium
4	Health Care	medium
4	Industrials	medium
1	Telecommunications	low
24	Companies	

Table 7: Company Size by Industry Cluster

7.2.3 Knowledge Orientation

As an indicator for knowledge orientation versus asset orientation the ratio of assets per employee (AS_EMP) was measured due to the fact that knowledge oriented companies are perceived to have more employees but are less dependent on corporate assets, whereas companies with a high orientation on financial resources are perceived to reflect this orientation by an high amount of assets relative to their number of employees. Standard deviation was used in order to cluster the degree in knowledge orientation of the companies into low (AVG-STDEV) and high (AVG+STDEV), whereas all companies between these two measures were perceived as medium due to their knowledge orientation. The Appendix outlines the basic data evaluated for each company.

Knowledge Based (KB)	Percentage	Number of Companies
low	50.00%	12
medium	29.17%	7
high	20.83%	5
Total	100%	24

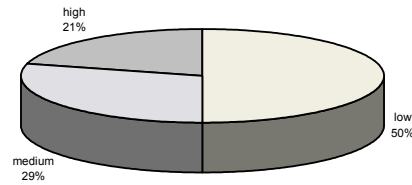


Figure 38: Knowledge Orientation Clusters all SMI Companies

50% of all companies in the SMI sample (12/24 companies) are more oriented on financial resources than on knowledge and were therefore perceived as low in their knowledge orientation. 20.83%, which represents an amount of five companies, are highly knowledge oriented whereas seven companies or 29.17% range somewhere in between (medium).

Industry		Know- ledge
Number of Companies	Industry Cluster	
5	Basic Materials	low
3	Consumer Goods	low
7	Financials	high
4	Health Care	low
4	Industrials	low
1	Telecommunications	medium
24	Companies	

Table 8: Knowledge Orientation by Industry Cluster

7.2.4 Regulation and Public Awareness

In order to distinguish between companies that operate in a strongly regulated environment in comparison to companies with less governmental regulation I rely to the general industry classification of [Baron 2003] and the Swiss regulatory framework. Baron depicted industries as highly regulated where the government exercises considerable control over opportunities [Baron 2003] such as telecommunications, pharmaceutical and biotechnology, or cultural “sin” industries (e.g., tobacco, alcohol, and gambling). In addition to these industries the banking and financial services industry is highly regulated in Switzerland (see Chapter 2). As [Baron 2003] did neither rank order degree of regulation nor provide any quantitative measure of regulation applicable to individual industries, I perceived all companies in the SMI sample related to the above mentioned industries as highly regulated [Hillman 2005]. Companies from the industrial, consumer goods and basic material industries are generally perceived as operating in a low regulated environment with low public awareness. Stated as medium regulated is a range of industries that conceptually fall somewhere in between of heavily and low regulated due to the specialties of their products provided and the public awareness given to these products.

Based on the above outlined procedure the companies from the SMI sample were clustered into low regulated (29.17%, 7 companies), medium regulated (29.17%, 7 companies) and highly regulated (41.67%, 10 companies) companies.

Regulation (R)	Percentage	Number of Companies
low	29.17%	7
medium	29.17%	7
high	41.67%	10
Total	100%	24

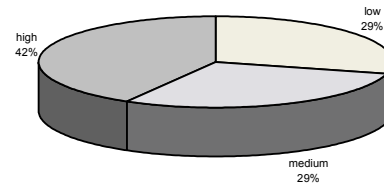


Figure 39: Industry Regulation Clusters all SMI Companies

Regarding the findings by industry, as illustrated in Table 9, Financials, Health Care and Telecommunication industry is perceived as highly regulated in the Swiss market environment. Companies from Basic Materials industry range somewhere in between and are therefore perceived as medium regulated. Low regulation applies to companies from Consumer Goods and Industrials.

Industry		Regulation
Number of Companies	Industry Cluster	
5	Basic Materials	medium
3	Consumer Goods	low
7	Financials	high
4	Health Care	high
4	Industrials	low
1	Telecommunications	high
24	Companies	

Table 9: Regulation and Public Awareness by Industry Cluster

7.2.5 Corporate Governance Understanding

In order to analyze if companies with a stakeholder oriented corporate governance understanding have a higher degree of relationship capital included by their board composition and/or adopted a stakeholder oriented board structure, the corporate governance definition of the SMI companies was analyzed. Companies that stated the importance of stakeholders regarding their corporate governance system or that referred to Corporate Social Responsibility or Sustainability are measured as stakeholder oriented in their corporate governance understanding. No specifically stated CG understanding (mainly referring to the understanding of CG by the CGRL or Swiss Code of Best Practice) or a clear but solely shareholder focus in a companies' corporate governance understanding was measured as shareholder oriented. Figure 40 in the Appendix, outlines the various CG understandings of the companies in the SMI sample and how each of them was rated for further analysis.

As Figure 40 summarizes the findings, an impressive number of companies (14/24 companies) have chosen a stakeholder oriented corporate governance understanding (58.33%). Only 41.67% of the companies (10/24 companies) in the SMI sample have stated a shareholder or no specifically corporate governance understanding.

CG Orientation (CGO)	Percentage	Number of Companies
Stakeholder O.	58.33%	14
Shareholder O.	41.67%	10
Total	100%	24

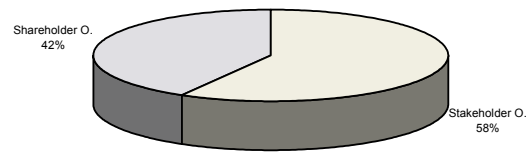


Figure 40: Corporate Governance Understanding Clusters all SMI Companies

Table 10 illustrates the findings by industries. Due to the fact that Swisscom is the only company in the Telecommunication clusters, the 100% compliance to a stakeholder oriented corporate governance understanding can not be directly compared to the other industry clusters. Though Financials also show full compliance to a stakeholder oriented corporate governance understanding, which is the biggest industry cluster in the sample (7 companies). Medium compliance (from 33% to 50%) to a stakeholder oriented corporate governance understanding was stated by Consumer Goods (1/3 companies), Basic Materials (2/5 companies) and Industrials (2/4 companies) whereas only one company (of 4) in the Health Care Industry has adopted a stakeholder oriented corporate governance understanding and the industry cluster was therefore rated as low (25%).

Industry		CG Understanding	
Number of Companies	Industry Cluster	CG ALL	CG %
5	Basic Materials	2	40%
3	Consumer Goods	1	33%
7	Financials	7	100%
4	Health Care	1	25%
4	Industrials	2	50%
1	Telecommunications	1	100%
24	Companies	14	58%

Table 10: CG Understanding by Industry Cluster

7.2.6 Board Size

Board Size was measured from proxy statements based on the total number of board appointments [Pfeffer1972, Dalton et al.1999]. By including board size, the number of directors with special relationships to stakeholders can also be understood in terms of relative effect without the difficulties associated with interpreting ratio variables [Edwards, 1994; Hillman, 2000]. The number of board members is sometimes taken as an indicator for good monitoring but empirical studies on this aspect are ambiguous or weak. [Nguyen and Kleiner 2001] recommend five members as the maximum number but from a team productivity perspective the range of optimal board size can be assumed to vary between five and eight.

Board Size	Percentage	Number BM	Number Companies
low	29.17%	6 < 8	7
lowmed	29.17%	9 < 11	7
highmed	20.83%	11 < 13	5
high	20.83%	14 < 16	5
Total	100%	Clusters	24

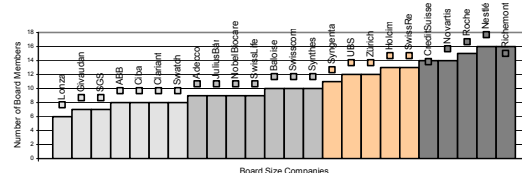


Figure 41: Board Size Clusters all SMI Companies

On average the number of board members in the SMI sample is 10.58 (arithmetic average) based on a range of six board members in the smallest board (Lonza) and 16 board members in the largest boards (Nestlé and Richemont). As illustrated by Figure 41 only seven (29.17%) companies in the SMI sample correspond to the recommendations regarding the optimal board size from a team productivity perspective all other companies have board sizes above eight.

Industry		Boards	
Number of Companies	Industry Cluster	BM ALL	BM AVG
5	Basic Materials	40	8.00
3	Consumer Goods	40	13.33
7	Financials	79	11.29
4	Health Care	48	12.00
4	Industrials	37	9.25
1	Telecommunications	10	10.00
24	Companies	254	10.58

Table 11: Board Size by Industry

As illustrated by Table 11 the average board size differs across industries. Companies from basic materials industry have on average a board size of eight board members, which corresponds to the recommended board size as stated by team productivity assumptions. Industrials, Financial Services and Telecommunications Industry have (with regard to the SMI sample) medium sized boards (ranged from 9.25 to 11.29 board members), whereas companies from the Consumer Goods and Health Care Industry have the biggest boards by industry comparison (ranged from 12.00 to 13.33 board members). The standard deviation across industries is 1.94. Therefore it seems to be interesting to further analyze why some companies and industries from the SMI sample have chosen a higher number of board members.

7.3 Combination of the Findings from Company Analysis

In the following we will analyze how the context factors influence board size and the corporate governance understanding of the companies. Based on the findings from extant empirical studies we made in Chapter 5 several assumptions on how corporate context factors might have an influence on board size and the corporate governance understanding of companies. The findings will be outlined in the following tables and further described in the subsequent sections:

Companies	Industry Cluster	BM	Company Characteristics				
			Size	Know-ledge	Regulation	CG Understanding	Business Focus
Ranking	Basic Materials	1.20	1.00	1.00	1.80	1.80	internat.
Ranking	Consumer Goods	2.33	1.67	1.33	1.33	1.67	internat.
Ranking	Financials	2.14	1.71	2.71	3.00	3.00	internat.
Ranking	Health Care	2.25	1.75	1.50	2.50	2.00	internat.
Ranking	Industrials	1.50	2.25	1.25	1.00	1.50	internat.
Ranking	Telecommunications	1.00	1.00	2.00	3.00	3.00	national

Table 12: Comparison of Company Context Factors relative to Industry

Companies	Industry Cluster	BM	Company Characteristics			
			Size	Know-ledge	Regulation	CG Understanding
Companies		16				
Ranking	STH Oriented	2.00 higher	1.64 higher	2.07 higher	2.50 higher	58% higher
Ranking	Not STH Oriented	1.60 lower	1.60 lower	1.20 lower	1.60 lower	42% lower
Difference		0.40	0.04	0.87	0.90	0.17

Table 13: Comparison of Company Context Factors relative to CG Understanding

Companies	Industry Cluster	BM	Company Characteristics			
			Size	Know-ledge	Regulation	CG Understanding
Ranking	High	3.00	2.20	1.80	2.40	2.20
Ranking	Low	1.00	1.33	1.11	1.67	1.67
Ranking	Medium	2.00	1.60	2.20	2.40	2.60

Table 14: Comparison of Company Context Factors relative to Board Size

Company Size Influences on Board Size and CG Understanding

Based on the SMI data company size seems to have strong influence on board size (1.33, low to 2.20, high) while due to the corporate governance understanding of the company no significant impact can be evaluated (1.60, not stakeholder oriented to 1.64, stakeholder oriented). The hypothesis regarding the influence of company size to board size therefore can be supported (CF1.1) while the influence of company size on the corporate governance understanding of companies (CF2.1) has to be rejected.

Industry Influences on Board Size and CG Understanding

Generally, we assumed that companies from the same industry have similar board sizes and a similar corporate governance understanding. As outlined by Table 13 and Table 14, this assumption can not be fully proofed by the data. Due to their board size and corporate governance understanding only the financial services industry states a similar behaviour and companies from this industry are focused upon a stakeholder oriented corporate governance understanding (7/7 companies, 100%) as well as medium sized boards (6/7 companies, 86%) in both dimensions. All other industries only show similarities due to their board size (e.g. small boards: Basic Materials, 4/5 companies, 80%; large boards: Consumer Goods, 2/3 companies, 67%) but not regarding a similar corporate governance understanding (only Health Care has a tendency to a corporate governance understanding, that is not shareholder oriented, 3/4 companies, 75%). The hypotheses referring to the influence of industry on board size (CF1.2) and corporate governance understanding (CF2.2) are therefore rejected.

Knowledge Orientation Influences on Board Size and CG Understanding

As illustrated in by Table 13 and Table 14 the knowledge orientation of a company shows an influence on the board size and the corporate governance understanding of the companies. While the knowledge orientation has a strong influence on the corporate governance understanding of the companies supporting the hypothesis (CF2.3) that knowledge oriented companies are more likely to have chosen a stakeholder oriented corporate governance understanding (1.30, not stakeholder oriented to 2.0, stakeholder oriented), the influence of knowledge orientation on board size only gives partly support of the hypothesis (CF1.3). Generally the assumption, that knowledge oriented companies have bigger boards (1.0, low sized boards to 1.8, high sized boards) can be supported but companies that are highly knowledge oriented do not have the biggest boards in the sample. Instead highly knowledge oriented companies are more likely to have medium sized boards (2.08 medium sized boards) and thereby their board size ranges around the lower average of the SMI sample.

Regulation and Public Scrutiny Influences on Board Size and CG Understanding

The influence from regulation and public scrutiny on board size and the chosen corporate governance understanding of the company is similar to the influence from knowledge orientation. The general assumptions, that regulation and public scrutiny has a positive impact on board size (1.43, low sized boards to 2.40, high sized boards) and on the corporate governance understanding (1.0, not stakeholder oriented to 2.36, stakeholder oriented) can be supported (CF1.4 and CF2.4) but companies that are operating in highly regulated environments or are under high public scrutiny do not have the biggest boards in the sample. Instead these companies are more likely to have medium sized boards (2.42 medium sized boards) and their board size thereby ranges around the lower average of the SMI sample. We therefore only partly support the hypothesis that regulation positively influences board size (CF1.4)

Board Size and Corporate Governance Understanding

As by Table 13 and Table 14 outlines, the thesis (CF2.5) that companies who have chosen a stakeholder oriented corporate governance understanding are more likely to have chosen a bigger board has to be rejected due to the low difference in average board size. Although we can state that medium sized boards tend to have a higher degree of stakeholder oriented corporate governance understanding and therefore the thesis (CF1.5) can be partly supported.

The following tables provide an overview on the supported and rejected hypotheses regarding the influence of the contextual factors on board size and corporate governance understanding.

Theses			Empirical Results	
NR	Hypothesized Relationship	Hypothesis	Results	Conclusion
CF1	Context Factors → BS (Board Size)	<i>Company Context Factors influence the Size of Corporate Boards</i>		
CF1.1	CS (Company Size) → BS (Board Size)	<i>Large companies(CS) have larger boards (BS)</i>	<ul style="list-style-type: none">The analysis of the SMI sample states a strong relationship between company size and board size.	The Hypothesis CF1.1 was supported
CF1.2	IC (Industry Cluster) → BS (Board Size)	<i>Companies from the same Industry(IC) have similar board sizes (BS)</i>	<ul style="list-style-type: none">In general the analysis of the SMI sample states only a weak relationship between company industry and board size.	The Hypothesis CF1.2 was partly supported
			<ul style="list-style-type: none">Medium Sized Boards: Financial Services, 6/(7) companies, 86%; Small Sized Boards: Basic Materials, 4/(5) companies, 80%; Large Boards: Consumer Goods, 2/(3) companies, 67%	
CF1.3	KO (Knowledge Orientation) → BS (Board Size)	<i>Knowledge oriented companies (KO) have bigger boards (BS)</i>	<ul style="list-style-type: none">The analysis of the SMI sample states a slightly positive relationship between the knowledge orientation of the company and board sizeStrongly knowledge oriented companies are observed to have board sizes around the average of the SMI sample	The Hypothesis CF1.3 was partly supported
CF1.4	RG (Regulation) → BS (Board Size)	<i>Companies under high regulation and public scrutiny (RG) have bigger boards (BS)</i>	<ul style="list-style-type: none">The analysis of the SMI sample states a slightly positive relationship between the knowledge orientation of the company and board size;Strongly regulated companies are observed to have board sizes around the average of the SMI sample (medium sized boards)	The Hypothesis CF1.4 was partly supported
CF1.5	CG (Corporate Governance Understanding) → BS (Board Size)	<i>Companies with a broad, stakeholder-oriented Corporate Governance Understanding have bigger boards</i>	<ul style="list-style-type: none">The analysis of the SMI sample states no significant relationship between the chosen corporate governance understanding of the company and board size;	The Hypothesis CF1.5 was not supported

Table 15: Hypothesized Relationships of Context Factors regarding Board Size

Theses			Empirical Results	
NR	Hypothesized Relationship	Hypothesis	Results	Conclusion
CF2	Context Factors → CG (Corporate Governance Understanding)	<i>Company Context Factors influence the Corporate Governance Understanding of Companies</i>		
CF2.1	CS (Company Size) → CG (Corporate Governance Understanding)	<i>Larger companies (CS) are more likely to have chosen a broad (stakeholder-oriented) Corporate Governance understanding (CG)</i>	<ul style="list-style-type: none"> The analysis of the SMI sample states no relationship between company size and the chosen stakeholder orientation in CG Understanding of the company 	The Hypothesis CF2.1 was not supported
CF2.2	IC (Industry Cluster) → CG (Corporate Governance Understanding)	<i>Companies from the same Industry(IC) are more likely to have chosen a similar Corporate Governance understanding (CG)</i>	<ul style="list-style-type: none"> In general, the analysis of the SMI sample states no relationship between company industry and board size. Stakeholder oriented CG Understanding: Financials, 7/(7) companies, 100% 	The Hypothesis CF2.2 was partly supported
CF2.3	KO (Knowledge Orientation) → CG (Corporate Governance Understanding)	<i>Knowledge oriented companies (KO) are more likely to have chosen a broad (stakeholder-oriented) Corporate Governance understanding (CG)</i>	<ul style="list-style-type: none"> The analysis of the SMI sample states a high relationship between the knowledge orientation of a company and the chosen stakeholder orientation in CG Understanding of the company 	The Hypothesis CF2.3 was supported
CF2.4	RG (Regulation) → CG (Corporate Governance Understanding)	<i>Companies under high regulation and public scrutiny (RG) are more likely to have chosen a broad (stakeholder-oriented) Corporate Governance understanding (CG)</i>	<ul style="list-style-type: none"> The analysis of the SMI sample states a positive relationship between the regulation of a company and the chosen stakeholder orientation in CG Understanding of the company 	The Hypothesis CF2.4 was supported
CF2.5	BS (Board Size) → CG (Corporate Governance Understanding)	<i>Companies with bigger boards are more likely to have chosen a broad (stakeholder-oriented) Corporate Governance understanding (CG)</i>	<ul style="list-style-type: none"> The analysis of the SMI sample states a slightly positive relationship between the board size and the knowledge orientation of the company Companies with medium sized boards have a higher proportion of stakeholder oriented cg understanding than companies with low and high board sizes 	The Hypothesis CF2.5 was partly supported

Table 16: Hypothesized Relationships of Context Factors regarding Corporate Governance Understanding

7.4 Results of SMI Board Analysis

As already stated 24 company boards with a panel of 254 board members including interlocks were examined by a detailed analysis of the annual reports as well as of the biographical data from a total number of 235 individual board members excluding interlocks. The difference in the number of analyzed versus counted board members is based on the cross linkage of 19 board members, so called interlocking directorships. We roughly analyzed these company interlocks that apply between the SMI companies but as the company interlocks are not directly related to the focus of our study we refer to ANNEX B:

SMI COMPANY INTERLOCKS, where these aspects are shortly outlined.

7.4.1 Board Demography

Figure 77 outlines the findings regarding the board demographics and characteristics in the SMI sample in full detail. In the following we will evaluate the board dimensions analogue to the context analysis.

Age of Board Members: In 2006, the average director of a SMI listed company was 59.34 years old (range from 39 years, 2 board members to 77 years, 1 board member) and 53.04 years old, when he was first elected to a corporate board. He remains on a board for about 6.3 years and holds about 3-4 directorships on different boards simultaneously.

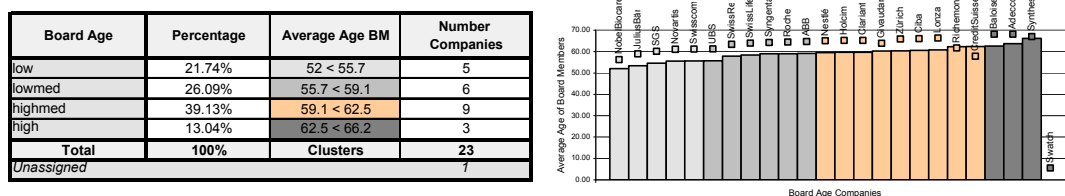


Figure 42: Board Age Clusters all SMI Companies

Gender of Board Members: The striking low percentage of female directors (9 percent female versus 91 percent male) on the total amount of board members in Switzerland seems to be worth mentioning. Although the percentage of boards including at least one female director is about 70 percent, none of the women in the SMI sample holds a CEO or chairman position.

Gender	Percentage	Number BM incl. Interlocks	Number BM excl. Interlocks
male (incl. IL)	90.55%	230	212
female (incl. IL)	9.45%	24	23
Total	100%	254	235

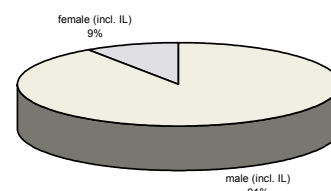


Figure 43: Board Gender Clusters all SMI Companies

Nationality of Board Members: Another aspect worth mentioning is the overall lack of diversity in the nationality (45 percent of Swiss nationality) of board members. This seems to be remarkable due to the fact that the SMI listed companies are, unlike small and medium sized Swiss companies, stronger oriented toward international or global business and markets and therefore a more substantial heterogeneity in the nationality of the board members would have been expected.

Nationality	Percentage	Number BM	Number BM
National CH	46.85%	119	105
International	44.09%	112	107
European	29.92%	76	72
American	12.20%	31	31
Worldwide	1.97%	5	4
Unassigned	9.06%	23	23
Total	100%	254	235

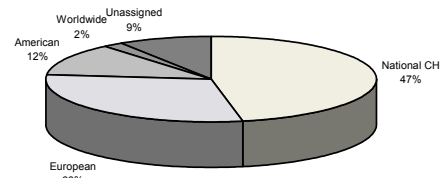


Figure 44: Board Nationality Clusters all SMI Companies

After this brief overview on the general board and board member demographics of the SMI companies the following subsections outline the results on board composition based on the idea of [Hillman and Dalziel 2003] (as outlined in Chapter 5 of this thesis) to analyze and compare the relative corporate board capital of each SMI company and industry cluster. Board capital, which consist of the human capital and the relational capital of board members, thereby describes the ability of boards to provide benefits to the company (as asserted by [Salancik and Pfeffer1978]), like:

- advice and counsel to the management
- legitimacy
- channels for communication between external organizations and the company
- preferential access to commitment or support from important elements outside the firm

The following subsections will therefore outline how the relevant aspects of board capital have been taken into account by the board composition of the SMI companies. In order to provide or facilitate helpful advice and counsel to the executive management of a company the board of directors should consist of members that bring important expertise, experience and skills with them [Baysinger and Butler1985, Gales and Kesner1994]. While research concerning the knowledge and skills of board members has its roots in resource dependence theory by considering the knowledge and skills of board members as resources for the firm (Huse, 2006) it is also directly related to the ability of the boards to fulfill their monitoring tasks from an agency theory perspective. Furthermore also from a stakeholder theory perspective the human capital of boards opens up important economic stakeholder relationships.

The data on knowledge and skills of the individual board members of the SMI listed companies were coded and analyzed in the human capital section of the code list (HC) and distinguish between:

- Firm-specific, Industry- and General Business Knowledge (HC-GBK), and

- Educational, Functional and Expert Knowledge (HC-FKE)
- Relational Capital (RC)

7.4.2 Firm-specific-, Industry- and General Business Knowledge (HC-GBK)

This kind of knowledge derives from the working background of former employment and function of the individual board member. The General Business Knowledge is especially important for the advisory ability of board members by incorporating knowledge of the industry the focal company is situated in. General Business Knowledge of Board Members is coded by the HC-GBK code-tree and distinguishes between various industries the board member has gained experience in due to its former employment. For the further data analysis and interpretation the industries were clustered into:

- focal company (Firm-specific Knowledge)
- focal company industry and related industries (Industry-specific Knowledge)
- non-related industries (General Business Knowledge)

In the following we will only highlight some interesting findings in an aggregated way from the data analysis²²:

The data was analysed by 13 industry dimensions and resulted in a total of 1942 hits in the HC-GBK dimension. In absolute frequencies Nestlé has the highest number of hits (157) while Swatch only states 28 hits. With a standard deviation of 33 each company has on average 81 hits in the HC-GBK dimension.

Furthermore all companies have on average covered 9 dimensions which results in a relatively high heterogeneity in the HC-BPK board dimension. Thereby only Roche has covered all 13 dimensions while Baloise, Synthes and Julius Bär share a relatively low heterogeneity and covered only between 6-7 dimensions in the HC-GBK code tree. These companies, as well as some others, have in common that they are focused in their board composition on only one or two dimensions with an importance of over 50% (e.g. Julius Bär (54%) & Credit Suisse (60%) on Banking, Lonza (53%) & Synthes (69%) on Pharma) whereas other dimensions are not or only to a small amount covered.

In order to make further assumptions we have to qualify the data by the size of the boards in order to gain comparable ratios for each board member. Thereby each board member has on average established 7.57 relationships to constituencies in the business environment by his former or current employment in different industries and companies. ABB thereby has the highest relationship ratio per board member (10.88) although it has a relatively small board (8 board members compared to 16 board members in maximum). Table 17 compares the companies with the highest number of

²² Figure 74 (Overview), Figure 75 (by company) and Figure 76 (by industry) in the Appendix outline the findings regarding the general business knowledge applied to corporate boards in the SMI sample in full detail.

board members (BM) to the companies with the highest ratio of linkages per board member (BM ratio).

Rank	BM	Company (BM Ratio)	Rank	BM Ratio	Company (BM)
1	16	Nestlé (9.81) Richemont (6.19)	1	11-10.5	ABB (8)
2	15	Roche (10.00)	2	10.5-10	Ciba (8) Roche (15)
3	14	Credit Suisse (8.36) Novartis (7.57)	3	10-9.5	Givaudan (7) Nestlé (16)
4	13	SwissRe (8.00) Holcim (7.62)	4	9.5-9	Clariant (8) Zürich (12)

Table 17: Ranking of Board size compared to the ranking of the relationship ratio per board member

The maximum number of frequencies counted in one dimension was 70 (Credit Suisse in the Banking Dimension). Generally of high importance by frequency and average to all companies in the SMI sample were relationships to the following industries (5 highest ranking industries):

Rank	Business Dimension	Freq.	%	Outperforming Industries
1	Banking	552 hits	28.4%	Financials (259hits) Consumer Goods (86 hits)
2	Pharmacy	338 hits	17.4%	Health Care (119 hits) Basic Materials (111hits)
3	Technology	251 hits	12.9%	Industrials (60 hits) Basic Materials (57 hits)
4	Services	246 hits	12.7%	Financials (89 hits) Industrials (49 hits)
5	Governmental	137 hits	7.1%	Consumer Goods (28 hits) Telecommunications (10 hits)

Table 18: Ranking of Business Dimensions and Outperforming Industries

The ranking shows high relationships by HC-BPK to the industries the SMI companies belong to. Therefore we will in the following outline which industries have set the highest priority to which kind of business knowledge and business relationships by their board composition. The following figures illustrate the findings by frequency (Figure 45) and percentage (Figure 46), which can be summarized as follows by Table 19: Analysis by Industries and Companies.

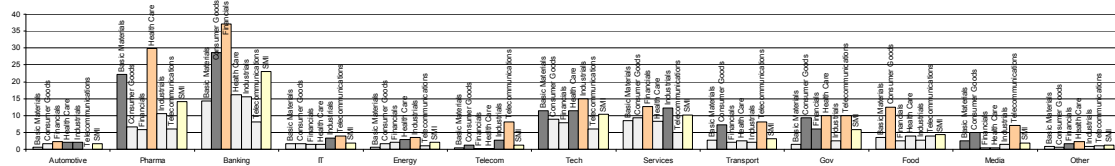


Figure 45: Human Capital Firm-specific, Industry- and General Business Knowledge by Industry – Frequencies

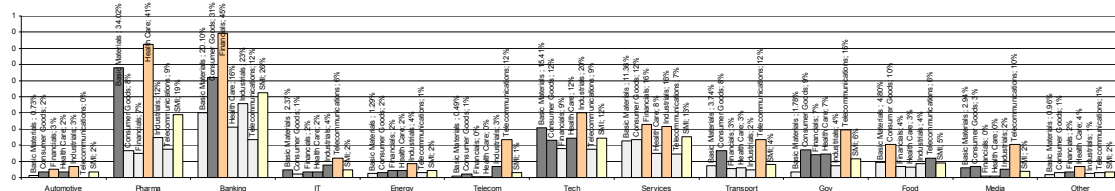


Figure 46: Human Capital Firm-specific, Industry- and General Business Knowledge by Industry –Percentage

Industry	Ranking
Basic Materials	<ol style="list-style-type: none"> 1. Pharmacy (111 Hits; 34%) 2. Banking (72 Hits; 20%) 3. Tech (57 Hits; 15%)
<ul style="list-style-type: none"> - All companies state a high relationship to Pharmacy (15-29 hits/20-53%) and Banking (6-22 hits/12-24%) - The importance of Technology was especially driven by Ciba (27 hits/33%) and Clariant (15 hits/20%). - Furthermore all companies except Lonza state a high importance to Services (9-12 hits/ 10-15%) is ranked fourth. 	
Consumer Goods	<ol style="list-style-type: none"> 1. Banking (86 Hits; 31%) 2. Tech, Services (27-28 hits, 12%) 3. Food (37 Hits; 10%)
<ul style="list-style-type: none"> - All companies state a comparably high relationship to Services (5-16 hits/7-18%) and Banking (9-46 hits/29-32%) - The high ranking of Food (31 hits/20%) can be explained by Nestlé outperforming the other companies in the industry. - Furthermore Richemont is outperforming the industry in Transportation (21 hits/21%) and Nestlé is outperforming in Governmental (20 hits/13%) 	
Financials	<ol style="list-style-type: none"> 1. Banking (259 Hits; 45%) 2. Services (89 Hits; 16%) 3. Tech (55 Hits; 9%)
<ul style="list-style-type: none"> - All companies state a comparably high relationship to Banking (20-70 hits/30-60%) and Services (5-20 hits/7-24%) - The high ranking of Tech can be explained by Baloise (8 hits/17%) and Zurich (25 hits/23%) clearly outperforming the other companies in this dimension. - Governmental ranges on 4th rank (42 Hits/7%) which seems to be of special importance for SwissLife, Swiss Re and Zurich together with Pharma (40 hits/7%) which seems to be of special importance for Baloise, UBS and Zurich 	
Health Care	<ol style="list-style-type: none"> 1. Pharmacy (119 Hits; 41%) 2. Banking (65 Hits; 16%) 3. Tech (46 Hits; 12%)
<ul style="list-style-type: none"> - All companies state a high importance of Banking (9-22%) 	

<ul style="list-style-type: none"> - The dimensions Governmental, which seems to be especially important for Roche (32 hits/21%) & Novartis (7 hits/7%), as well as Services, which seems to be important for all companies except of Synthes (1 hit/2%) both range on 4th rank (33/40 hits; 8%) - With the exception of Roche (13%) in Pharmacy (35-69%) and of Synthes (4%) in Technology (11-20%) all companies state a high importance of these dimensions. 	
Industrials	<ol style="list-style-type: none"> 1. Banking (62 Hits; 23%) 2. Tech (60 Hits; 20%) 3. Services (49 Hits; 16%)
<ul style="list-style-type: none"> - The high ranking of Services can be explained by Adecco (30 hits/40%) clearly outperforming the other companies in this dimension. - All companies state a high importance of Technology (22-25%) and Banking (22 -39%) except of Adecco (5% Banking, 11% Technology) clearly underperforming in both dimensions. - ABB is strongly interconnected with IT (13%) - Pharmacy ranges on 4th rank (42 Hits; 12%) which seems to be of importance for all companies (12-18%) except of SGS (3%). 	
Telecom	<ol style="list-style-type: none"> 1. Governmental (10 Hits; 15%) 2. Banking, Telecom (8 Hits; 12%) 3. Media (7 Hits; 10%)
<ul style="list-style-type: none"> - as the industry cluster of Telecommunications is solely composed of one company (Swisscom) we can state no similarities or differences 	

Table 19: Analysis by Industries and Companies

7.4.3 Functional and Expert Knowledge (HC-FKE)

This kind of knowledge is especially important for the monitoring and advisory ability of board members and usually derives from the educational and / or functional background of former employment. The skills and expertise in functional knowledge (e.g. business knowledge or educational background in finance, accounting, law, marketing, human resources or just in general management expertise) should be related to the management tasks of a company in general or especially relevant for the individual company itself. A strong heterogeneity in different educational areas or functional working skills therefore seems to be important for the appropriate composition of boards. In order to analyze this assumption by the board member appointment and composition of the SMI listed companies the degree of education and the field of study was coded for each board member in the HC-FKE (Human Capital Functional Knowledge by Education) code-tree. In the following we will only highlight some interesting findings in an aggregated way from the data analysis²³:

The data was analyzed by 12 knowledge dimensions and resulted in 416 hits in the HC-FKE dimension. In absolute frequencies Roche has the highest number of hits (40) while Swatch only states 5 hits and SGS has not provided any data regarding the expert knowledge and educational background of its board members. SGS was

²³ Figure 71 (Overview), Figure 72 (by company) and Figure 73 (by industry) in the Appendix outline the findings regarding the expert knowledge applied to corporate boards in the SMI sample in full detail.

therefore in the following excluded from the overall data analysis. With a standard deviation of 7 each company has on average 18 hits in the HC-FKE dimension.

Qualifying the data by the size of the boards each board member has on average established 1.7 relationships to constituencies that provide specialized expert knowledge to the company. Swiss Life thereby has the highest relationship ratio per board member (2.89) although it has a relatively small board (9 board members compared to 16 board members in maximum). Table 20 compares the companies with the highest number of board members (BM) to the companies with the highest ratio of linkages per board member (BM ratio).

Rank	BM	Company (BM Ratio)	Rank	BM Ratio	Company (BM)
1	16	Nestlé (1.25) Richemont (1.19)	1	3-2.75	Swiss Life (9)
2	15	Roche (2.67)	2	2.75-2.5	Roche (15)
3	14	Credit Suisse (1.93) Novartis (1.43)	3	2.5-2.25	Julius Bär (9)
4	13	SwissRe (1.85) Holcim (1.54)	4	2.25-2	Lonza (6) Synthes (10)

Table 20: Ranking of Board size compared to the ranking of the relationship ratio per board member

On average all companies have covered 6 dimensions which results in a relatively low heterogeneity in the HC-FKE board analysis. Thereby only Novartis has covered 9 dimensions (highest heterogeneity) while ABB, Swatch and Zürich share a relatively low heterogeneity and covered only between 4 dimensions in the HC-FKE code tree. All companies have in common that they focus at least on two different dimensions while Givaudan is especially focused on Business Administration knowledge on its board of directors' level (55%). No other company states a higher focus in one of the dimensions. Besides Business Administration where 7 companies state an importance of more than 40%, Baloise (43%), Swatch (40%) & Swiss Life (46%) focus on Legal Knowledge and Synthes (45%) on Chemistry/Biology/Medical Knowledge instead.

The maximum number of frequencies counted in one dimension was 13 hits (Roche in the Chemistry/Biology/Medical Knowledge dimension followed by Swiss Life (12 hits) in the Legal dimension). Generally of high importance by frequency and average to all companies in the SMI sample were relationships to the following educational and expert knowledge dimensions (5 highest ranking dimensions) as illustrated by Table 21.

Rank	Knowledge Dimension	Freq.	%	Outperforming Industries
1	Business Administration	122 hits	29.3%	Financials (39 hits) Health Care (29 hits)

2	Legal	84 hits	20.2%	Financials (47 hits) Basic Materials (13 hits)
3	Technology	51 hits	12.9%	Financials (16 hits) Basic Materials (10 hits)
4	Chemistry/Biology & Medical	36 hits	8.7%	Health Care (27 hits) Basic Materials (7 hits)
5	Finance	28 hits	6.7%	Financials (14 hits) Health Care (8 hits)

Table 21: Ranking of Expert Dimensions and Outperforming Industries

The ranking again shows high relationships by HC-FKE to the industries the SMI companies belong to although the high importance of Technology to the Financial Services industry seems to be astonishing. Therefore we will in the following outline in more detail which industries have set the highest priority to which kind of business knowledge and business relationships by their board composition. The following figures illustrate the findings by frequency (Figure 47) and percentage (Figure 48), which can be summarized as follows by Table 22: Analysis by Industries and Companies.

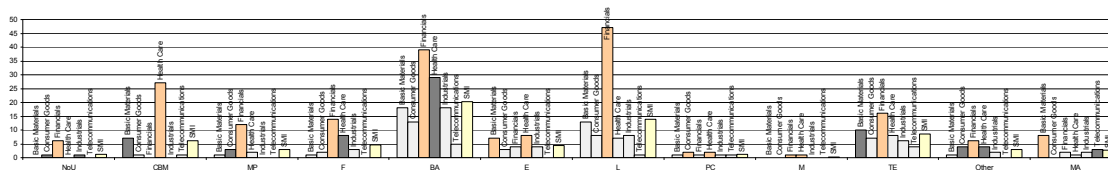


Figure 47: Knowledge by Education – Frequency

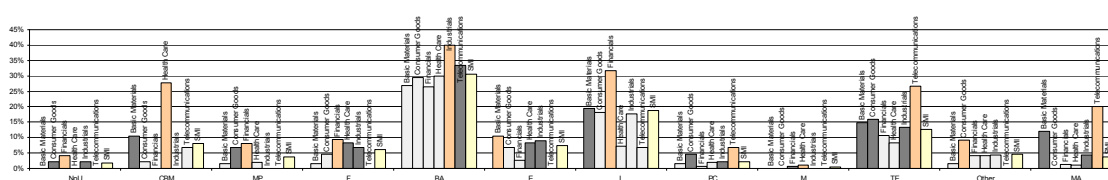


Figure 48: Knowledge by Education – Percentage

Industry	Ranking
Basic Materials	1. Business Administration (18 Hits; 27%) 2. Legal (13 Hits; 18%) 3. Tech (10 Hits; 15%)
- All companies state a comparably high importance to Business Administration (3-6 hits/23-55%) except to Ciba (1 hit/8%), Legal (3-6 hits/23-32%) except to Givaudan (1 hit/9%) and Lonza (0 hits) as well as to Technology (2-3 hits/11-25%) except to Givaudan (1 hit/9%) - Ciba (2 hits/17%), Lonza (3 hits/25%) and Syngenta (2 hits/11%) are outperforming the industry in Chemistry/Biology & Medical (7 hits/10%) - Furthermore Clariant (3 hits/23%) and Givaudan (2 hits/18%) take special focus on Economic knowledge (7 hits/12%)	
Consumer	1. Business Administration (13 Hits; 27%)

Goods	2. Legal (8 Hits; 24%) 3. Tech (7 Hits; 17%)
<ul style="list-style-type: none"> - All companies state a comparably high importance to Business Administration (1-7 hits/20-35%), Legal (2-4 hits/21-40%) except to Nestlé (2 hits/10%) as well as to Technology (1-4 hits/11-20%) - The high ranking of Food (31 hits/20%) can be explained by Nestlé outperforming the other companies in the industry. - Furthermore Richemont is outperforming the industry in Economics (3 hits/16%) additionally Richemont states 4 hits (21%) in expert knowledge applied to the board (Other) which was not clearly specified. - Although not highly ranked Governmental and Politics seems to have special importance for the following companies: Nestlé & Richemont 	
Financials	1. Legal (13 Hits; 27%) 2. Business Administration (8 Hits; 24%) 3. Tech (7 Hits; 17%)
<ul style="list-style-type: none"> - All companies state a comparably high relationship to Legal (6-12 hits/25-46%), except to UBS (2 hits/13%) and Business Administration (4-11 hits/19-41%), except to Swiss Life (3 hits/12%), both underperforming the industry in these dimensions. - The high ranking of Tech can be explained by Swiss Re (3 hits/13%), UBS (3 hits/19%) and Zurich (5 hits/25%) clearly outperforming the other companies in this dimension. - Although Finance and Mathematics is ranked 4th it seems to have special importance to the following companies: Julius Bär, Swiss Life, Swiss Re and UBS 	
Health Care	1. Business Administration (29 Hits; 31%) 2. Chemistry/Biology & Medical (27 Hits; 26%) 3. Finance & Tech (8 Hits; 9%)
<ul style="list-style-type: none"> - All companies state a comparably high importance in all four dimensions with only slightly differences. - Although all companies state high importance in Chemistry/Biology & Medical knowledge, Roche (33%) and Synthes (45%) are outperforming the industry. - Novartis and Roche are further focused upon Economics, Legal and Governmental/Political knowledge. 	
Industrials	1. Business Administration (18 Hits; 40%) 2. Legal (8 Hits; 16%) 3. Tech (6 Hits; 14%)
<ul style="list-style-type: none"> - All companies state a comparably high importance to Business Administration (4-8 hits/40%), Legal (4 hits/20-27%) except to ABB (0 hit) as well as to Technology (2-3 hits/15-20%) except to Adecco (1 hit/7%) - All companies share a common understanding of the importance of Financial Knowledge (1 hit/5-10%) included on corporate boards. - ABB is especially outperforming the industry in Economics (3 hits/30%) 	
Telecom	1. Business Administration (5 Hits; 33%) 2. Tech (4 Hits; 27%) 3. Other/Not Specified (3 Hits; 20%)
<ul style="list-style-type: none"> - as the industry cluster of Telecommunications is solely composed of one company (Swisscom) we can state no similarities or differences - Besides the three top ranking dimensions Swisscom shows further importance to Governmental/Politics and Legal knowledge. 	

Table 22: Analysis by Industries and Companies

7.5 Relational Capital of Boards

Boards can benefit the company in providing or enhancing legitimacy and reputation (as asserted by [Salancik and Pfeffer1978, Hambrick and D'Aveni1992, Daily and

Schwenk1996] and evaluated by [Certo et al. 2001]) due to the prestige and reputation of the individual directors.

“Prestigious or legitimate persons or organizations represented on the focal organization’s board provide confirmation to the rest of the world of the value and worth of the organization”.

[Salancik and Pfeffer1978]:145

It therefore seems to be important not to solely evaluate what expertise, knowledge and skills is included by the composition of corporate boards but additionally to whom the whom the organization is seen to be linked. The ability of board members to provide or enhance legitimacy is thereby connected to the relational capital of the individual board members. The relational capital, enhancing or providing legitimacy and reputation by external linkages to important and respected organizations and institutions in the environment of the organization, is measured by the RC (Relational Capital) code tree, focused on the respective kind of the individual relations. In the following we will only highlight some interesting findings in an aggregated way from the data analysis²⁴:

The data was analyzed by 11 relational capital dimensions and resulted in 567 hits in the RC coding. In absolute frequencies Roche has the highest number of hits (63) while Clariant (3 hits), SGS, Synthes & UBS (2 hits each) range on the lower end of frequencies. These companies have not sufficiently provided data regarding the relational capital included by board composition and therefore do not seem to be aware of the importance or the positive effects that may arise by the publication of these relationships. With a standard deviation of 18 each company has on average 23 hits in the RC dimension.

Qualifying the data by the size of the boards each board member has on average established 2.11 relationships to external constituencies in the socio-economic environment of the company that may provide external knowledge as well as further risk reduction and benefit potentials to the company. Swiss Re thereby has the highest relationship ratio per board member (4.62) which goes in line with the size of the board (13 board members compared to 16 board members in maximum). Furthermore Lonza (6 BM/ 3.33 BM ratio) and SwissLife (9 BM/ 3.11 BM ratio) are highly outperforming even though they have established rather small boards, as illustrated in the following Table 23:

Rank	BM	Company (BM Ratio)	Rank	BM Ratio	Company (BM)
1	16	Nestlé (3.31) Richemont (1.69)	1	5-4.5	SwissRe (13)
2	15	Roche (4.20)	2	4.5-4	Roche (15)
3	14	Credit Suisse (3.50) Novartis (3.07)	3	4-3.5	Swisscom (10) Credit Suisse (14)

²⁴ Figure 68 (Overview), Figure 69 (by company) and Figure 70 (by industry) in the Appendix outline the findings regarding the relational capital applied to corporate boards in the SMI sample in full detail.

4	13	SwissRe (4.62) Holcim (1.31)	4	3.5-3	Lonza (6) Nestlé (16) Novartis (14)
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Table 23: Ranking of Board size compared to the ranking of the relationship ratio per board member

On average all companies have covered 5.5 dimensions which results in a relatively low heterogeneity in the RC board analysis. Thereby only Swisscom has covered 10 dimensions (highest heterogeneity, followed by Adecco, Nestlé & Swiss Re with 9 dimensions covered) while Julius Bär & Synthes share the lowest heterogeneity and covered only one dimension in the RC code tree. All companies have in common that they focus mainly on Educational Institutions (highest focus from Novartis (20 hits) and Nestlé (18 hits) by frequencies and from Zurich and Julius Bär (100%) by percentage) in their relationships. Besides Educational Institutions where 11 companies state an importance of more than 40%, ABB (31%), Baloise (30%), Credit Suisse (37%), Zurich (28%) are especially focused on relationships with Economic Institutions instead.

The maximum number of frequencies counted in one dimension was 20 hits (Novartis in the Educational Institutions dimension followed by Nestlé (18 hits) in the same and Credit Suisse (18 hits) in the Economic Institutions dimension). Generally of high importance by frequency and average to all companies in the SMI sample were relationships to the following relational capital dimensions (5 highest ranking dimensions).

Rank	Knowledge Dimension	Freq.	%	Outperforming Industries
1	Educational Institutions	187 hits	33.0%	Financials (48 hits) Health Care (45 hits)
2	Economic Institutions	91 hits	16.0%	Financials (46 hits) Consumer Goods (15 hits)
3	Political Institutions	55 hits	9.7%	Financials (19 hits) Health Care (17 hits)
4	Cultural Institutions	50 hits	8.8%	Financials (17 hits) Consumer Goods (11 hits)
5	Community Institutions	48 hits	8.5%	Financials (17 hits) Health Care (10 hits)

Table 24: Ranking of Relationship Dimensions and Outperforming Industries

The ranking in Table 24 again shows high relationships by RC to the industries the SMI companies are related to. Especially interesting is the high performance in the RC dimensions of companies and industries acting in a strongly regulated environment or which are under high public awareness. Therefore we will in the following outline in more detail which industries have set the highest priority to which kind of business knowledge and business relationships by their board composition. The following figures illustrate the findings by frequency (Figure 49) and percentage (Figure 50),

which can be summarized as follows by Table 25: Analysis by Industries and Companies:

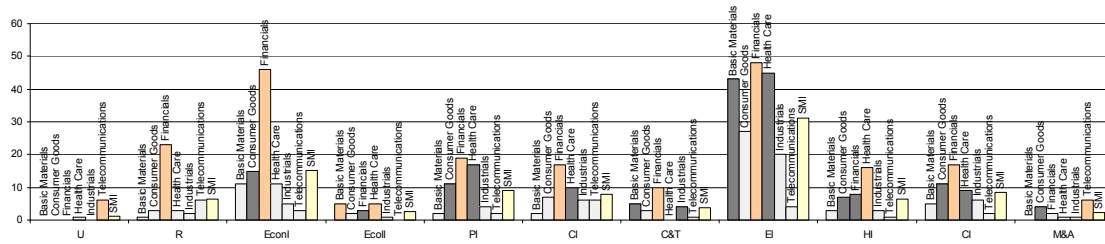


Figure 49: Relationship Capital by Industry – Frequencies

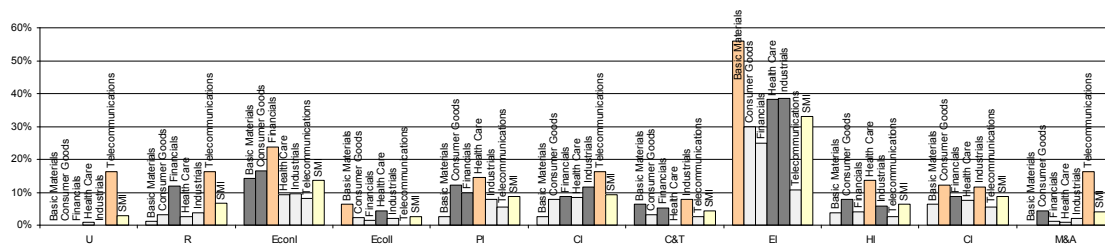


Figure 50: Relationship Capital by Industry – Percentage

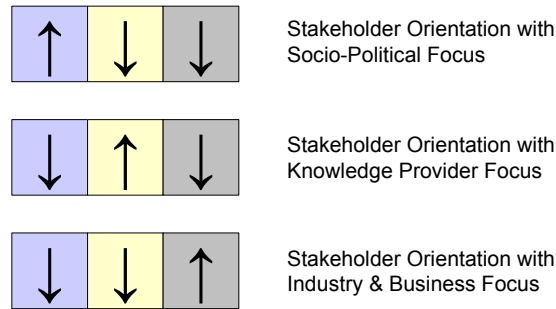
Industry	Ranking
Basic Materials	<ol style="list-style-type: none"> 1. Educational Inst. (43 Hits; 57%) 2. Economic Inst. (11 Hits; 11%) 3. Community Inst. (2 Hits; 8%)
<ul style="list-style-type: none"> - All companies state a comparably high importance to Educational Institutions (2-13 hits/46-67%) and to Economic Institutions (1-4 hits/8-21%), except to Clariant (0 hit) - The high ranking of Community Institutions (2 hits/8%) can be explained by Clariant (1 hit/33%) and Syngenta (1 hits/8%) outperforming the industry in this dimension. - Furthermore special focus is set by Givaudan (3 hits/16%) and Syngeta (2 hits/15%) on Ecologic Institutions as well as by Givaudan (3 hits/16%) on Cultural Institutions - Ciba (4 hits/18%) takes a strong focus on well known and highly regarded board members (Celebrity&Title) 	
Consumer Goods	<ol style="list-style-type: none"> 1. Educational Inst. (27 Hits; 27%) 2. Economic Inst. (15 Hits; 15%) 3. Cultural Inst. & Political Inst. (11 Hits; 11%)
<ul style="list-style-type: none"> - All companies state a comparably high importance to Educational Institutions (2-18 hits/20-34%), Economic Institutions (1-8 hits/10-22%) as well as to Cultural (3-5 hits/9-30%) and Political Institutions (1-7 hits/10-13%) - Swatch (2 hits/20%) takes a strong focus on well known and highly regarded board members (Celebrity&Title) - Furthermore Richemont (4 hits/15%) and Nestlé (3 hits/6%) are additionally focused on Health Institutions. - Nestlé is the only company in the industry cluster that states relationships with the regulator 	
Financials	<ol style="list-style-type: none"> 1. Educational Inst. (48 Hits; 25%) 2. Economic Inst. (46 Hits; 24%)

	3. Political Inst. (19 Hits; 10%)
<ul style="list-style-type: none"> - All companies state a comparably high relationship to Educational (6-12 hits/25-46%), Economic and Political Institutions, except to UBS (2 hits/13%) and Julius Bär which are solely focused on Educational institutions and state no hits in other dimensions. - With a company focus above 10% Credit Suisse and Swiss Life are further related to Community Institutions, Credit Suisse and Zurich on Cultural Institutions while Swiss Life and Swiss Re have strong connections to the Regulator. - Swiss Re further (10 hits/17%) takes a strong focus on well known and highly regarded board members (Celebrity&Title) 	
Health Care	1. Educational Inst. (45 Hits; 38%) 2. Political Inst. (17 Hits; 14%) 3. Health Inst. (16 Hits; 13%)
<ul style="list-style-type: none"> - All companies state a comparably high importance in Educational and Health Institutions, with exception of Synthes which is solely focused on Educational institutions and states no hits in other dimensions. - The high ranking of Political Institutions (17 hits/14%) can be explained by Roche (16 hit/25%) outperforming the industry in this dimension. - Novartis and Roche are further focused in comparably high ratios to Economic, Community and Cultural Institutions - Roche is the only company in the industry cluster that states relationships with the regulator 	
Industrials	1. Educational Inst. (20 Hits; 38%) 2. Community & Cultural Inst. (6 Hits; 11%) 3. Economic Inst. (5 Hits; 10%)
<ul style="list-style-type: none"> - All companies state a comparably high importance to Educational Institutions, except to SGS which is solely focused on Community and Cultural Institutions and states no hits in other dimensions - The high ranking of Community and Cultural Institutions can be explained by Adecco (4 hit/20%) and SGS (1 hit/50%) outperforming the industry in these dimensions. - Furthermore the high ranking of Economic Institutions is mainly driven by ABB (4 hits/31%). - ABB and Adecco are further focused in comparably high ratios to Political and Health Institutions 	
Telecom	1. Media & Analysts, Community Institutions, Regulator, Unions are focused in the same amount by Swisscom (6 Hits; 16%) 2. Educational Institutions (4 Hits; 11%)
<ul style="list-style-type: none"> - as the industry cluster of Telecommunications is solely composed of one company (Swisscom) we can state no similarities or differences 	

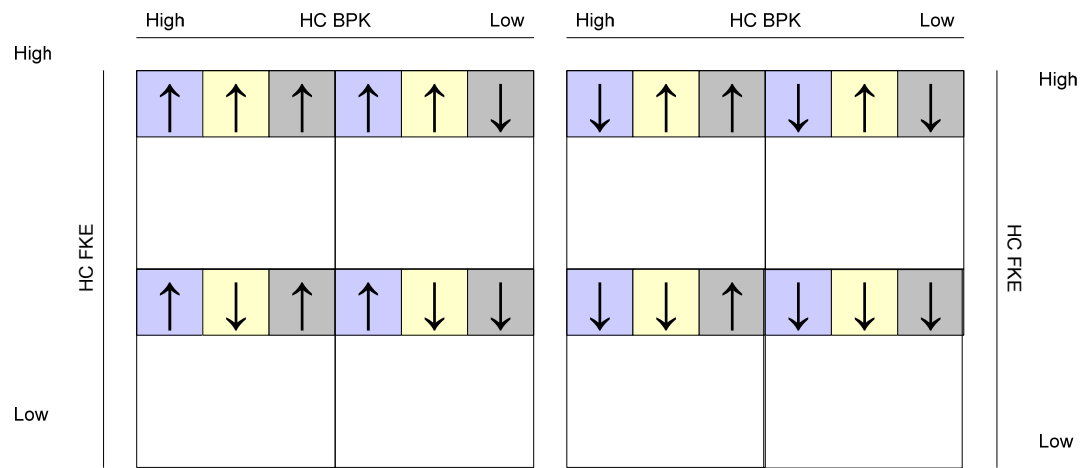
Table 25: Analysis by Industries and Companies

7.6 Summary and Conclusions

In the following we will combine the insights from the Human and Relational capital dimensions, as outlined in the former sections. We thereby analyze how each company as well as industry by aggregation has focused in its board composition on the specific aspects of Human and Relational Capital in order to develop different models of board composition. We thereby assume that each company can set a different focus, due to its strategy and needs (e.g. its applied stakeholder or shareholder orientation in corporate governance understanding) as well as driven by its specific contextual and situational variables (e.g. size, business environment, industry) on the dimensions of Human and Relational Capital.



By this assumption we can develop the following eight models of board composition as possible combinations of the three dimensions illustrated by the following figure:



In the following we will analyze the data of the companies and the industries by this cluster regarding the different contextual variables of the companies as well as by their orientation in their corporate governance understanding. The detailed data of the analysis can be found in Figure 55: Board Capital Overview per Company and Figure 56: Board Capital Overview per Industry. In the following we will first outline the aggregated results of the industry analysis as illustrated by the following Figure 51.

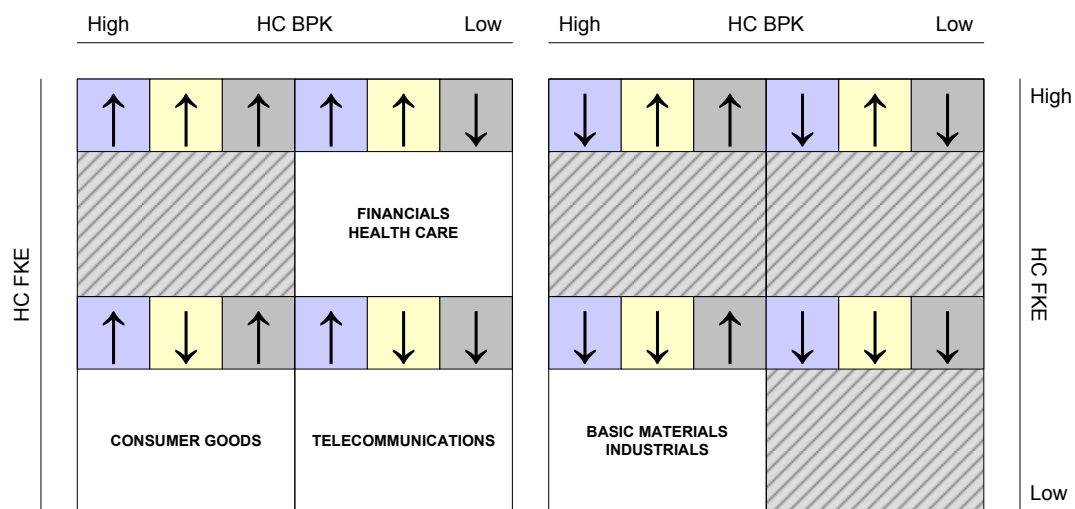


Figure 51: Analysis of Board Composition by Industry

The aggregation of the company data in each dimension of Human and Relational Capital results in a specific board composition for each industry. The industry analysis thereby covers 4 of the 8 potential board composition layouts. While Basic Materials (industry & business focus), Industrials (industry & business focus) and Telecommunications (socio-political focus) industry show a single focus Financials (socio-political/ knowledge provider focus), Health Care (socio-political/ knowledge provider focus) and Consumer Goods (socio-political/ industry & business focus) apply to a combined focus of two dimensions.

In the following we will try to find explanations why the industries are settled in the different board composition clusters. Therefore we additionally analyze the individual company board composition by clustering the companies due to their specific focus in Relationship Capital (RC), Human Capital Business Relationships (HC-BPK) and Human Capital Expert Relationships (HC-FKE) above or below the overall average of all companies. How the boards are composed by each of the companies will be outlined in the following Figure 52:

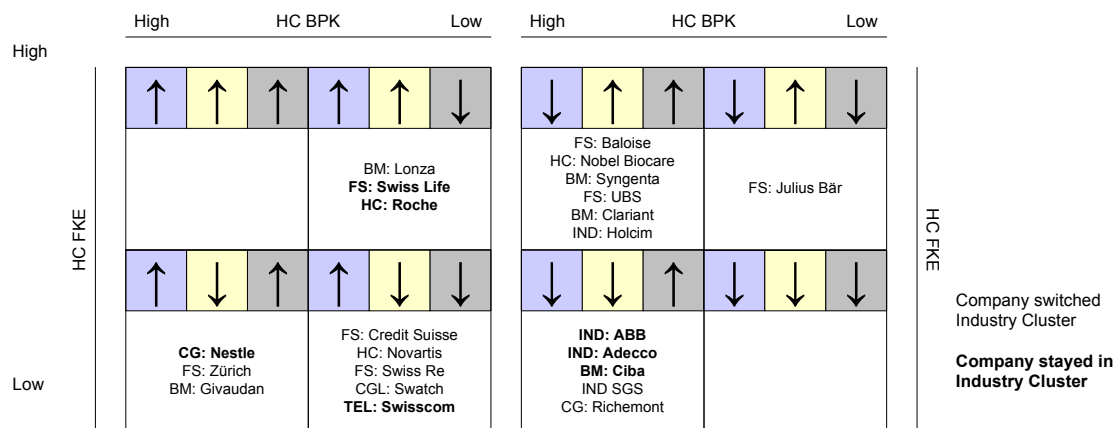


Figure 52: Analysis of Board Composition by Company

Bold printed companies (as for example Swiss Re) thereby stayed in the board cluster as predicted by the industry analysis.

7.6.1 Business Environment

We proposed that the business environment influences the composition of corporate boards (Proposition. We further assumed that companies from highly regulated business environments or industries are more likely to adopt a socio-political focus in their board composition. This proposition will be analyzed in the following:

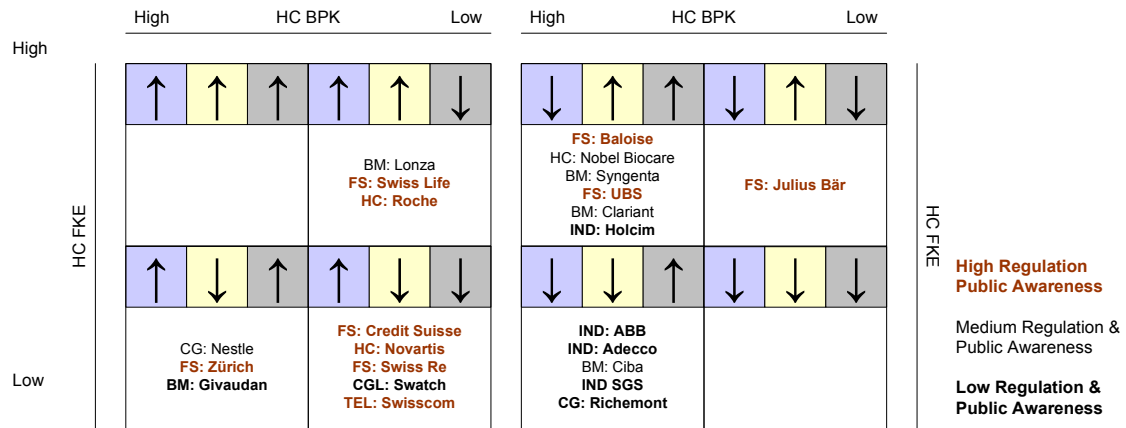


Figure 53: Analysis of Board Composition by Company and Regulation

Companies from highly regulated industries (Financials, Health Care & Telecommunications) show a general tendency (7 companies out of 10) to focus on a high RC by board composition. 4 companies (Credit Suisse, Novartis, Swiss Re and Swisscom) from highly regulated industries have even chosen a single RC focus. Possible explanations for companies from low or medium regulated industries that have applied a high RC ratio:

- Givaudan (low regulation) & Nestle (medium regulation): both companies have applied a broad CG understanding. Although Givaudan has a small board it is outperforming in RC ratio, whereas Nestlé has one of the largest boards in the sample and has therefore a higher ability to include RC by instance.
- Swatch (low regulation) & Lonza (medium regulation): have in all tested contingency variables low or medium ratings, have not applied a broad CG understanding, the specific board composition can therefore not be explained

Companies from low and medium regulated industries are focused on low RC ratios by board composition (10 out of 14 companies). 4 (out of 7) companies from low regulated industries have even chosen a single HC-BPK focus. 4 (out of 7) medium regulated companies have chosen a board composition focused on both, high HC-FKE ratio and high HC-BPK. Possible explanations for companies from high regulated industries that have applied a low RC ratio:

- Baloise, UBS & Julius Bär (high regulation): All three companies have applied a broad corporate governance understanding which should in addition to the highly regulated business environment increase their awareness towards stakeholders. UBS furthermore is a large sized company that is by its economic importance under higher public scrutiny than Julius Bär or Baloise (low sized companies). The position of the three companies (and especially the position of UBS) can therefore not be explained.

Conclusion from Business Environment

The Business Environment seems to be connected to the RC ratio of companies. Therefore highly regulated companies have chosen a RC ratio above the average of

other companies whereas companies from medium or low regulated industries have applied a RC ratio below the average of all companies. Companies from low regulated business environments have chosen a high HC-BPK ratio instead. Companies from medium regulated industries have additionally focused on a high HC-FKE ratio.

- The board composition of companies acting in a highly regulated business environment or under high public scrutiny seems to be interrelated with a high RC ratio. The proposition was therefore accepted.

7.6.2 Corporate Governance Understanding

We proposed that the corporate governance understanding influences the composition of corporate boards due to its direct and indirect representation of stakeholders. We further assumed that a broad corporate governance understanding applied by companies will more likely lead to the adoption of a stakeholder oriented board composition in frequency and heterogeneity. This proposition will be analyzed in the following:

The analysis of companies in the SMI sample that have stated a stakeholder oriented corporate governance understanding leads us to the following insights:

- By the data analysis from corporate governance understanding to board composition we can not state a clear correlation of the two factors. 6 (of 14) companies, with a broad corporate governance understanding applied, have generally chosen a high RC ratio, 7 (of 14) companies have chosen a high HC-FKE ratio, 8 (of 14) companies have chosen a high HC-BPK ratio.
- Companies with a broad corporate governance understanding seem to have a high tendency to apply a board composition that is focused both on the HC-FKE and the HC-BPK dimension (5 of 7 companies with a broad understanding) whereas companies with a narrow focus position themselves in a single HC-BPK board composition (4 of 5 companies with a narrow understanding).

Conclusion from Corporate Governance Understanding

If a company applies to a broad or a narrow corporate governance understanding does not seem to be directly related to one of the analyzed board composition variables. We were only able to evaluate a slight tendency which is not sufficient for the acceptance of the proposition. The missing link between the corporate governance understanding and the board composition applied by companies has various explanations, e.g.:

- The company is stakeholder oriented but has not applied a stakeholder oriented CG understanding
- The company is not stakeholder oriented but has applied a stakeholder oriented CG understanding (empty phrase)

Although we have to reject this proposition by the SMI company analysis it seems to be interesting to analyse by the in-depth case study the rationale behind a diverging corporate governance adaptation, e.g. a company that states a shareholder oriented

corporate governance understanding but shows high ratios in the direct stakeholder representation dimensions in comparison with a company that has chosen a stakeholder oriented corporate governance understanding and has also applied high indirect stakeholder representation on its corporate board.

7.6.3 Board Size

We proposed that the board size influences the composition of corporate boards. We further assumed that a large board would provide the company with the ability to apply more relationships relevant to the appropriate board composition to the board. Therefore companies with a large board should not only outperform companies with a small board by the number of hits but should also provide the ability to the board to build up relationships to stakeholders in more than one dimension. This proposition will be analyzed in the following:

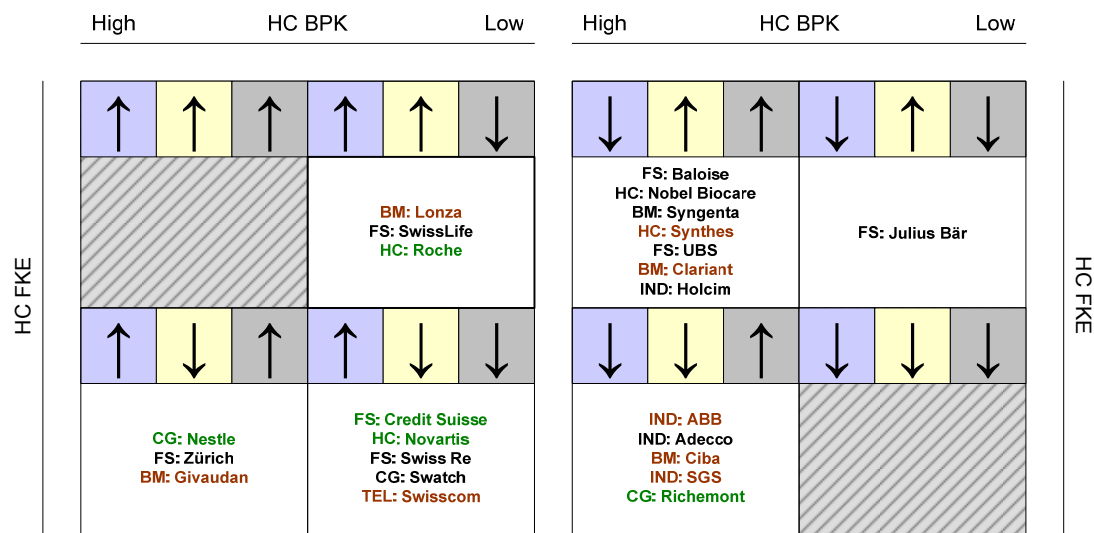
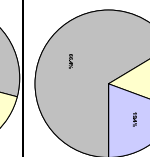
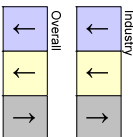
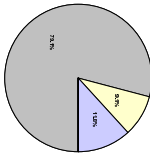
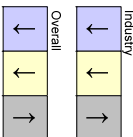
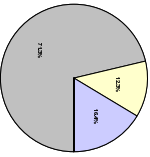
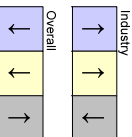
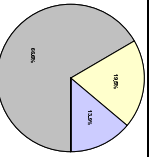
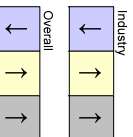
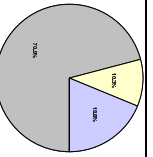
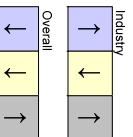


Figure 54: Board Composition by Board Size

The following table will provide an overview on the findings regarding the formerly outlined propositions.

Company Description	Board Capital				Summary	
	General Board Characteristics	Relational Capital (RC)	HC Specialists & Support Specialists (HC-FKE)	HC Business & Industry Experts (HC-BPK)		
All SMI Companies	254 BM (10.58BM) 2925 hits	567 hits (4.17%) 2.11 linkages/BM 23.63 linkages/C 19.4%	416 hits (4.35%) 1.69 linkages/BM 18.09 linkages/C 14.2%	1942 hits (4.17%) 7.57 linkages/BM 80.92 linkages/C 66.4%	 	
ABB	ABB is a global leader in power and automation technologies that enable utility and industry customers to improve their performance while lowering environmental impact	8 BM (low) 110 hits (13.75 linkages/BM) Industrials	13 Hits Dim. (2.29%, low) 1.63 linkages/BM (high) 11.8%	10 Hits Dim. (2.40%, low) 1.25 linkages/BM (low) 9.1%	87 Hits Dim. (4.48%, low) 10.88 linkages/BM (high) 79.1%	 
Adecco	Adecco is the world leader in human resource solutions, with a comprehensive service offering that includes temporary & contract staffing, outsourcing, permanent recruitment, outplacement and career services, training and consulting.	9 BM (low) 122 hits (13.56 linkages/BM) Industrials	20 Hits Dim. (3.53%, low) 2.22 linkages/BM (high) 16.4%	15 Hits Dim. (3.61%, low) 1.67 linkages/BM (low) 12.3%	87 Hits Dim. (3.86%, low) 8.33 linkages/BM (high) 71.3%	 
Baloise	Headquartered in Basel (Switzerland) and with operations in Continental Europe, the Baloise Group is a solution provider in the fields of insurance and pensions. The group's strategic focus is on sustainable, income-oriented growth in selected target segments.	10 BM (low) 72 hits (7.2 linkages/BM) Financials	10 Hits Dim. (1.76%, low) 1.00 linkages/BM (low) 13.9%	14 Hits Dim. (3.37%, low) 1.40 linkages/BM (low) 19.5%	48 Hits Dim. (2.47%, low) 4.80 linkages/BM (low) 66.6%	 
Ciba	Ciba is a leading global company dedicated to producing high-value effects for its customers' products, that improve the quality of life – adding performance, protection, color and strength to plastics, paper, automobiles, buildings, home and personal care products and much more.	8 BM (low) 117 hits (14.63 linkages/BM) Basic Materials	22 Hits Dim. (3.88%, low) 2.75 linkages/BM (high) 18.8%	12 Hits Dim. (2.88%, low) 1.50 linkages/BM (low) 10.3%	83 Hits Dim. (4.27%, high) 10.38 linkages/BM (high) 70.9%	 

Clariant	Clariant is a global leader in the field of specialty chemicals with strong business relationships, commitment to outstanding service and wide-ranging application know-how.	8 BM (low) 90 hits (11.25 linkages/BM) Basic Materials	3 Hits Dim. (0.53%, low) 0.38 linkages/BM (low) 3.4%	13 Hits Dim. (3.13%, low) 1.63 linkages/BM (low) 14.4%	74 Hits Dim. (3.81%, low) 9.25 linkages/BM (high) 82.2%	
Credit Suisse	Credit Suisse is a world-leading financial services company, advising clients in all aspects of finance, around the world.	14 BM (high) 193 hits (13.78 linkages/BM) Financials	49 Hits Dim. (8.64%, high) 3.50 linkages/BM (high) 25.4%	27 Hits Dim. (6.49%, high) 1.93 linkages/BM (high) 14.0%	117 Hits Dim. (6.02%, high) 8.36 linkages/BM (high) 60.6%	
Givaudan	Givaudan is the leading company in the flavours and fragrance industry. Through unique sensory expertise and consumer insight, Givaudan provides customers with the taste and smell profiles that are key to their products' success.	7 BM (low) 97 hits (13.85 linkages/BM) Basic Materials	19 Hits Dim. (3.35%, low) 2.71 linkages/BM (high) 19.6%	11 Hits Dim. (2.64%, low) 1.57 linkages/BM (low) 11.3%	67 Hits Dim. (3.45%, low) 9.57 linkages/BM (high) 69.1%	
Holcim	Holcim is one of the world's leading suppliers of cement and aggregates (crushed stone, sand and gravel) as well as further activities such as ready-mix concrete and asphalt including services.	13 BM (high) 136 hits (10.46 linkages/BM) Industrials	17 Hits Dim. (3.00%, low) 1.31 linkages/BM (low) 12.5%	20 Hits Dim. (4.81%, high) 1.54 linkages/BM (low) 14.7%	99 Hits Dim. (5.10%, high) 7.62 linkages /BM (high) 72.8%	
Julius Bär	The Julius Baer Group is the leading dedicated wealth manager in Switzerland. The Group, which has roots dating to the nineteenth century, concentrates exclusively on private banking and asset management for private and institutional clients.	9 BM (low) 86 hits (9.55 linkages/BM) Financials	8 Hits Dim. (1.41%, low) 0.89 linkages/BM (low) 9.3%	21 Hits Dim. (5.05%, high) 2.33 linkages/BM (high) 24.4%	57 Hits Dim. (2.94%, low) 6.33 linkages /BM (low) 66.3%	
Lonza	Lonza is continually expanding its scientific and technology base, assigning a high priority to advanced R&D as well as state-of-the-art plants and equipment to ensure environmentally safe and quality-minded production..	6 BM (lowest) 70 hits (11.67 linkages/BM) Basic Materials	20 Hits Dim. (3.53%, low) 3.33 linkages/BM (high) 28.6%	12 Hits Dim. (2.88%, low) 2.00 linkages/BM (high) 17.1%	38 Hits Dim. (1.96%, low) 6.33 linkages /BM (low) 54.3%	

Nestlé	Nestlé is a world-wide leading food enterprise. For over 130 years Nestlé supplies humans around the globe with food. Nestlé products stand world-wide for highest quality and benefit.	16 BM (highest) 230 hits (14.57 linkages/BM) Consumer Goods	53 Hits Dim. (9.35%, high) 3.31 linkages/BM (high) 23.0%	20 Hits Dim. (4.81%, high) 1.25 linkages/BM (low) 8.7%	157 Hits Dim. (8.08%, highest) 9.81 linkages /BM (high) 68.3%	 Industry ↑ ↓ ↑ Overall ↑ ↓ ↑
NobelBiocare	Nobel Biocare is the world leader in innovative esthetic dental solutions and a one-stop-shop for restorative esthetic dentistry, offering a wide range of innovative Crown & Bridge & Implant products, as well as training & education and clinically documented treatment concepts.	9 BM (low) 93 hits (10.33 linkages/BM) Health Care	10 Hits Dim. (1.76%, low) 1.11 linkages/BM (low) 10.7%	17 Hits Dim. (4.09%, low) 1.89 linkages/BM (high) 18.3%	66 Hits Dim. (3.4%, low) 7.33 linkages /BM (low) 71.0%	 Industry ↑ ↓ ↑ Overall ↑ ↓ ↑
Novartis	Novartis discovers, develops and successfully markets innovative products to prevent and cure diseases, to ease suffering and to enhance the quality of life.	14 BM (high) 169 hits (12.07 linkages/BM) Health Care	43 Hits Dim. (7.58%, high) 3.04 linkages/BM (high) 25.5%	20 Hits Dim. (4.81%, high) 1.43 linkages/BM (low) 11.8%	106 Hits Dim. (5.46%, high) 7.57 linkages /BM (high) 62.7%	 Industry ↑ ↓ ↓ Overall ↑ ↓ ↓
Richemont	Richemont owns several of the world's leading companies in the field of luxury goods, with particular strengths in jewellery, luxury watches and writing instruments. In addition to its Luxury business, Richemont holds a significant investment in British American Tobacco.	16 BM (highest) 145 hits (9.06 linkages/BM) Consumer Goods	27 Hits Dim. (4.76%, high) 1.69 linkages/BM (low) 18.6%	19 Hits Dim. (4.57%, high) 1.19 linkages/BM (low) 13.1%	99 Hits Dim. (5.10%, high) 6.19 linkages /BM (low) 68.3%	 Industry ↑ ↓ ↑ Overall ↑ ↓ ↑
Roche	Roche is a leading healthcare company with a broad spectrum of innovative medical solutions. The products and services bring significant benefit to patients from early detection and prevention of diseases to diagnosis, treatment and treatment monitoring.	15 BM (high) 253 hits (16.87 linkages/BM) Health Care	63 Hits Dim. (11.11%, highest) 4.2 linkages/BM (high) 24.9%	40 Hits Dim. (9.62%, highest) 2.67 linkages/BM (high) 15.8%	150 Hits Dim. (7.72%, high) 10 linkages /BM (high) 59.3%	 Industry ↑ ↓ ↓ Overall ↑ ↓ ↓
SGS	SGS is the world's leading inspection, verification, testing and certification company. SGS is recognized as the global benchmark for quality and integrity. With more than 50'000 employees, SGS operates a network of over 1'000 offices and laboratories around the world.	7 BM (low) 38 hits (5.42 linkages/BM) Industrials	2 Hits Dim. (0.35%, low) 0.29 linkages/BM (low) 5.3%	No Data	36 Hits Dim. (1.85%, low) 5.14 linkages /BM (low) 94.7%	 Industry ↑ ↓ ↑ Overall ↑ ↓ ↑

Swatch	The Swatch Group Ltd. is a Swiss company and the biggest watch manufacturer in the world (about 25% of the sales).	8 BM (low) 43 hits (5.37 linkages/BM) Consumer Goods	10 Hits Dim. (1.76%, low) 1.25 linkages/BM (low) 23.3%	5 Hits Dim. (1.20%, lowest) 0.63 linkages/BM (lowest) 11.6%	28 Hits Dim. (1.44%, lowest) 3.5 linkages /BM (lowest) 65.1%	 Industry: ↑ ↑ ↓ Overall: ↑ ↓ ↓
Swisscom	Swisscom Group is Switzerland's leading telecoms company. Swisscom is present nationwide, delivering all services and products for mobile, fixed and IP-based voice and data communications.	10 BM (low) 120 hits (12.0 linkages/BM) Telecom	37 Hits Dim. (6.53%, high) 3.70 linkages/BM (high) 30.8%	15 Hits Dim. (3.61%, low) 1.50 linkages/BM (low) 12.5 %	68 Hits Dim. (3.50%, low) 6.80 linkages /BM (low) 56.7%	 Industry: ↔ ↔ ↔ Overall: ↑ ↓ ↓
SwissLife	Swiss Life ist in der Schweiz Marktführerin in der finanziellen Vorsorge. Wir engagieren uns dafür, damit Menschen in eine finanziell sichere Zukunft blicken können. Ein Leben lang.	9 BM (low) 128 hits (14.22 linkages/BM) Financials	28 Hits Dim. (4.94%, high) 3.11 linkages/BM (high) 21.9%	26 Hits Dim. (6.25%, high) 2.89 linkages/BM (highest) 20.3%	74 Hits Dim. (3.81%, low) 8.22 linkages /BM (high) 57.8%	 Industry: ↑ ↑ ↓ Overall: ↑ ↑ ↓
SwissRe	As the world's leading and most diversified global reinsurer, Swiss Re offers financial services products that enable risk taking essential to enterprise and progress. The Group's position as preferred partner in the risk transfer industry is based on value propositions that comprise risk expertise, global reach, scale, diversification, very strong capitalisation and resilience over the long term.	13 BM (high) 188 hits (14.46 linkages/BM) Financials	60 Hits Dim. (10.58%, high) 4.62 linkages/BM (highest) 31.9%	24 Hits Dim. (5.77%, high) 1.85 linkages/BM (high) 12.8%	104 Hits Dim. (5.36%, high) 8.00 linkages /BM (high) 55.3%	 Industry: ↑ ↓ ↓ Overall: ↑ ↓ ↓
Syngenta	Syngenta is a world-leading agribusiness committed to sustainable agriculture through innovative research and technology. The company is a leader in crop protection, and ranks third in the high-value commercial seeds market.	11 BM (high) 122 hits (11.09 linkages/BM) Basic Materials	13 Hits Dim. (2.29%, low) 1.18 linkages/BM (low) 10.6%	19 Hits Dim. (4.57%, high) 1.73 linkages/BM (high) 15.6%	90 Hits Dim. (4.63%, high) 8.18 linkages /BM (high) 73.8%	 Industry: ↓ ↑ ↑ Overall: ↓ ↑ ↑
Synthes	Synthes develops, produces and market instruments, implants and biomaterials for the surgical fixation, correction and regeneration of the human skeleton and its soft tissues.	10 BM (low) 67 hits (6.7 linkages/BM) Health Care	2 Hits Dim. (0.35%, low) 0.20 linkages/BM (low) 3.0%	20 Hits Dim. (4.81%, high) 2.00 linkages/BM (high) 29.8%	45 Hits Dim. (2.32%, low) 4.50 linkages /BM (low) 67.2%	 Industry: ↓ ↑ ↑ Overall: ↓ ↑ ↑

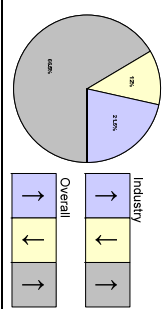
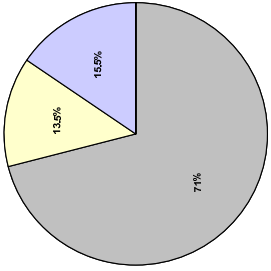
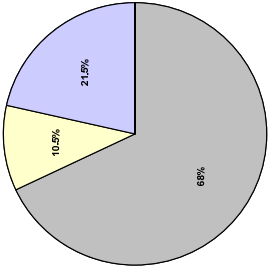
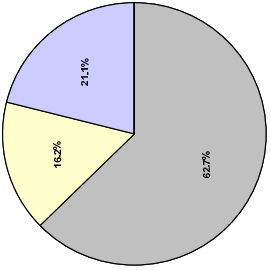
UBS	UBS is one of the global leading financial institutions offering wealth management business to the most important investment banks and security houses. The UBS ranks among the world-wide largest trustees. The UBS is in the private and firm customer business in Switzerland the number one.	12 BM (high) 81 hits (6.75 linkages/BM) Financials	2 Hits Dim. (0.35%, low) 0.17 linkages/BM (lowest) 2.5%	16 Hits Dim. (3.85%, low) 1.33 linkages/BM (low) 19.7%	63 Hits Dim. (3.24%, low) 5.25 linkages/BM (low) 77.8%	
Zürich	Zurich is an insurance-based financial services provider with headquarters in Zurich, Switzerland. The core business is insurance - General and Life, focused on the key markets in North America and Europe.	12 BM (high) 167 hits (13.92 linkages/BM) Financials	36 Hits Dim. (6.35%, high) 3.0 linkages/BM (high) 21.5%	20 Hits Dim. (4.81%, high) 1.67 linkages/BM (low) 12.0%	111 Hits Dim. (5.72%, high) 9.25 linkages/BM (high) 66.5%	

Figure 55: Board Capital Overview per Company

Industry	Relational Capital (RC)	HC Specialists & Support Specialists (HC-FKE)	HC Business & Industry Experts (HC-BPK)	Summary
Basic Materials 40 BM 5 Companies 496 Hits	77 hits (14%) 15.5% Average hits per BM: 1.93 (low) Highest importance on: Educational Inst (43/77 Hits; 56%) Further focused (above avg industry) on: Economic Inst (11/77 Hits; 14%)	67 hits (16%) 13.5% Average hits per BM: 1.68 (high) Highest importance on: BA (18/67 Hits; 27%) Further focused (above avg industry) on: Chem (7/67 Hits; 10%) Economics (7/67 Hits; 10%) Legal (13/67 Hits; 19%) Tech (10/67 Hits; 15%) MA (8/67 Hits; 12%)	352 hits (18%) 71% Average hits per BM: 8.80 (highest) Highest importance on: Pharma (111/352 Hits; 32%) Further focused (above avg industry) on: Banking (72/352 Hits; 20%) Tech (57/352 Hits; 16%) Services (42/352 Hits; 12%)	
Consumer Goods 40 BM 3 Companies 418 Hits	90 hits (16%) 21.5% Average hits per BM: 2.25 (high) Highest importance on: Educational Inst (27/90 Hits; 30%) Further focused (above avg industry) on: Economic Inst (15/90 Hits; 17%) Political Inst (11/90 Hits; 12%) Community Inst (7/90 Hits; 8%) Health Inst (7/90 Hits; 8%) Cultural Inst (11/90 Hits; 12%)	44 hits (11%) 10.5% Average hits per BM: 1.10 (lowest) Highest importance on: BA (13/44 Hits; 30%) Further focused (above avg industry) on: Legal (8/44 Hits; 18%) Tech (7/44 Hits; 16%) Other (4/44 Hits; 9%)	284 hits (15%) 68% Average hits per BM: 7.10 (lowest) Highest importance on: Banking (86/284 Hits; 30%) Further focused (above avg industry) on: Tech (27/284 Hits; 10%) Services (28/284 Hits; 10%) Transport (22/284 Hits; 8%) Governmental (28/284 Hits; 10%) Food (37/284 Hits; 13%)	
Financials 79 BM 7 Companies 915 Hits	193 hits (34%) 21.1% Average hits per BM: 2.44 (high) Highest importance on: Educational Inst (48/193 Hits; 25%) Further focused (above avg industry) on: Regulator (23/193 Hits; 12%) Economic Inst (46/193 Hits; 24%) Political Inst (19/193 Hits; 10%) Community Inst (17/193 Hits; 9%) Cultural Inst (17/193 Hits; 9%)	148 hits (36%) 16.2% Average hits per BM: 1.87 (high) Highest importance on: Legal (47/148 Hits; 32%) Further focused (above avg industry) on: Math (12/148 Hits; 8%) Finance (14/148 Hits; 9%) BA (39/148 Hits; 26%) Tech (16/148 Hits; 11%)	574 hits (30%) 62.7% Average hits per BM: 7.27 (low) Highest importance on: Banking (259/574 Hits; 45%) Further focused (above avg industry) on: Tech (55/574 Hits; 10%) Services (89/574 Hits; 16%)	

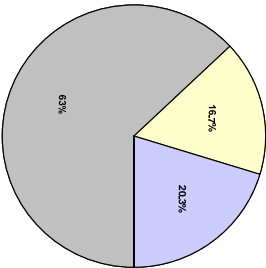
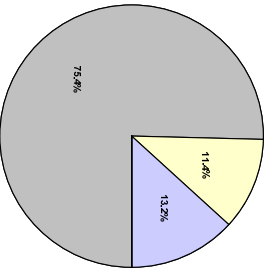
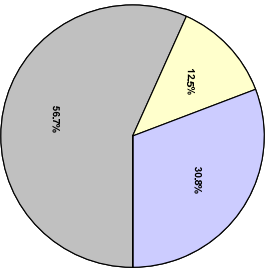
Health Care 48 BM 4 Companies 582 Hits	118 hits (21%) 20.3% Average hits per BM: 2.46 (high) Highest importance on: Educational Inst (45/118 Hits; 38%) Further focused (above avg industry) on: Economic Inst (11/118 Hits; 9%) Political Inst (17/118 Hits; 14%) Community Inst (10/118 Hits; 8%) Health Inst (16/118 Hits; 14%) Cultural Inst (9/118 Hits; 8%)	97 hits (23%) 16.7% Average hits per BM: 2.02 (highest) Highest importance on: BA (29/97 Hits; 30%) Further focused (above avg industry) on: Chem (27/97 Hits; 28%) Finance (8/97 Hits; 8%) Economics (8/97 Hits; 8%) Tech (8/97 Hits; 8%)	367 hits (19%) 63% Average hits per BM: 7.65 (high) Highest importance on: Pharma (119/367 Hits; 32%) Further focused (above avg industry) on: Banking (65/367 Hits; 18%) Tech (46/367 Hits; 13%) Services (33/367 Hits; 9%) Governmental (40/367 Hits; 11%)	 Overall ↑ ↓ ↓
Industrials 37 BM 4 Companies 394 Hits	52 hits (9%) 13.2% Average hits per BM: 1.41 (lowest) Highest importance on: Educational Inst (20/52 Hits; 38%) Further focused (above avg industry) on: Economic Inst (5/52 Hits; 10%) Political Inst (4/52 Hits; 8%) Cultural Inst (6/52 Hits; 12%)	45 hits (11%) 11.4% Average hits per BM: 1.50 (low) Highest importance on: BA (18/45 Hits; 40%) Further focused (above avg industry) on: Economics (4/45 Hits; 9%) Legal (8/45 Hits; 18%) Tech (6/45 Hits; 13%)	297 hits (15%) 75.4% Average hits per BM: 8.03 (high) Highest importance on: Banking (62/297 Hits; 21%) Further focused (above avg industry) on: Pharma (42/297 Hits; 14%) Tech (60/297 Hits; 20%) Services (49/297 Hits; 16%)	 Overall ↓ ↓ ↑
Telecommunication 10 BM 1 Company 120 Hits	37 hits (7%) 30.8% Average hits per BM: 3.70 (highest) Highest importance on: Unions (6/37 Hits; 16%) Regulator (6/37 Hits; 16%) Community Inst (6/37 Hits; 16%) Media (6/37 Hits; 16%) Further focused (above avg industry) on: Economic Inst (3/37 Hits; 8%) Educational Inst (4/37 Hits; 11%)	15 hits (4%) 12.5% Average hits per BM: 1.50 (low) Highest importance on: BA (5/15 Hits; 33%) Further focused (above avg industry) on: Tech (4/15 Hits; 27%) MA (3/15 Hits; 20%)	68 hits (4%) 56.7% Average hits per BM: 6.80 (lowest) Highest importance on: Governmental (10/68 Hits; 15%) Further focused (above avg industry) on: Governmental (10/68 Hits; 15%) Pharma (6/68 Hits; 9%) Banking (8/68 Hits; 12%) Telecom (8/68 Hits; 12%) Tech (6/68 Hits; 9%) Media (7/68 Hits; 10%)	 Overall ↑ ↓ ↓

Figure 56: Board Capital Overview per Industry

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CHAPTER 8

1

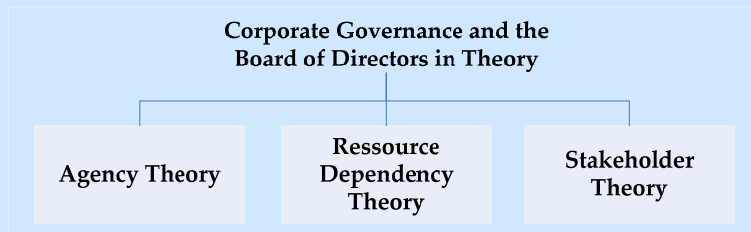
Introduction

2

Corporate Governance & the Board of Directors in Switzerland

3 & 4

Theoretical Background



5

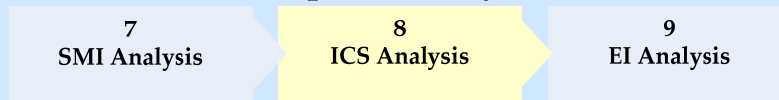
Framework of Analysis

6

Methodology

7-9

Empirical Analysis



10

Findings & Conclusions

8 CASE ANALYSIS

8.1 Introduction

8.1.1 Goals of the Chapter

The following chapter will outline the findings of the in depth analysis of board composition and structure regarding corporate stakeholders of three companies in the Swiss market environment. Consequently this chapter has two main objectives. First, it should introduce the reader in the different set ups of the companies corporate governance structures and processes. It therefore presents the results from data collection and data analysis of internal and external company publications of the three single-case studies Swisscom, Swiss Re and Suva regarding their board composition and structure in relation to the overall stakeholder orientation of the focal company. Second, in order to clarify how the corporate governance systems are processed, perceived and valued in the focal companies, interviews with members of the top management board were analyzed and the findings will be illustrated by selected statements.

8.1.2 Roadmap of the Chapter

In order to achieve these two objectives, just described, the chapter will be structured into the following parts: sections 8.2, 8.4 & 8.6 will provide the reader with some background information on the sample cases, and illustrate the findings for each single case study by first introducing the company in general (8.2.1, 8.4.1 & 8.6.1), its strategic stakeholders and stakeholder orientation (8.2.2, 8.4.2 & 8.6.2), its corporate governance understanding and system (8.2.3, 8.4.3 & 8.6.3), its board composition and the direct and indirect stakeholder representation and relationships implemented in this composition (8.2.4, 8.4.4 & 8.6.4) and structures (8.2.5, 8.4.5 & 8.6.5). The analysis of the ranking of the strategic stakeholders in the mindset of each company is thereby important for the further analysis, assuming, that the set-up of the corporate governance system and structure as well as the composition of board members is influenced by this mindset. Additionally by the analysis of the interviews the thesis tries to evaluate what kind of organizational structures, communication and interaction processes the companies have additionally established in order to maintain relationships with their strategically relevant stakeholders on the board of directors level and how the corporate governance system, board composition and structure are perceived and valued due to the wealth creation potential of stakeholders on the board of directors level. Finally the chapter's last section will summarize the results of each case (8.3, 8.5 & 8.7) as well as compare these findings (8.8) in order to evaluate open questions for a further discussion with corporate governance and board experts in different perspectives in the subsequent chapter.

8.2 The Swisscom Case

The history of the today known Swisscom AG (Swisscom Ltd.) started with the liberalization of the Swiss telecommunication market in the late 90's, in line with the general liberalization of the European telecommunications market. Swisscom was part of the state-owned monopoly PTT (Post Telefon Telegraph), which was in the mid-nineties split by the Swiss government into two separate companies, the Swiss Post (postal services) and the PTT Telecom (telecommunication services). PTT Telecom was further privatized in 1997 as Swisscom and became in 1998 an incorporated company although the Swiss government remains still as a majority shareholder (over 50% shares). While the predecessor company of Swisscom, the PTT, showed a constant growth as monopoly enterprise according to the increasing demand for telecommunication services and the related technology. The liberalization of the telecommunication market did not only lead to the establishment of Swisscom in its current form, but also to a fundamental change of the entire organization in its strategy, structure, culture and stakeholder relationships in order to compete in the newly liberalized market against upcoming competitors. While former setbacks (in the technical development, customer treatment or internationalization failures) could be mastered due to the unquestioned monopoly position, the increasing competition led to stronger and more differentiated demands of Swisscom's strategic stakeholders that had to be answered adequately by the company in order to stand the competitive environment. Therefore Swisscom had to transform itself from a public firm into a private corporation in a very short period of time which led to the reduction of its workforce by 30 percent and to an incremental change of its organizational structure from a principal firm structure into a group structure accompanied by a cultural change process from a public-servant - and strongly technology-thinking - toward a customer- and shareholder-oriented company. By the time of analysis Swisscom is still Switzerland's leading telecom provider, with over 4.8 million mobile customers, around 3.7 million fixed lines and more than 1.5 million broadband connections although its future growth opportunities in national markets seems to be limited. The following Table 26 provides an overview on the general company characteristics of Swisscom:

	Swisscom Swisscom AG
Industry	Telecommunication (Full-Service Provider) Service Industry
Geographical Focus	National Focus (but increasingly European Orientation)
Foundation	1998 (formerly PTT founded in 1852)
Shares and Listing	SWX traded 58.4% of shares by Swiss government No cross shareholdings
Employees	16'739
Revenue	CHF 2'346 Mio.

Sales	CHF 9'732 Mio
Size (relative to Cases)	High
Regulation	High (Relative to Cases: Medium)
Markets	New Liberalized Market (Former Monopoly; Largest Competitor) (high competition)
Orientation	Knowledge Capital

Table 26: Swisscom – Case Overview.

8.2.1 Data Analysis of Swisscom

The following results and insights of the Swisscom case study are based on the analysis of 43 external accessible and/or internal documents and 14 interviews with the CEO as well as members of the top and middle management.

Table 49 in Fehler! Verweisquelle konnte nicht gefunden werden. provides an overview on the documents coded and the company representatives interviewed at Swisscom.

The following subsections will outline the key findings from the document and interview analysis regarding first, the corporate governance system and structures of Swisscom. And second, the general stakeholder orientation and importance of specific stakeholder groups for Swisscom as well as their development over time. The analysis of the general stakeholder importance will in the following support the analysis of the board of director's composition in order to evaluate if the nomination of board members is related to the company's stakeholder orientation. Accordingly, by analyzing the corporate governance system of Swisscom the interaction processes and instruments for building up and maintaining relationships with strategic stakeholders in order to create wealth by the reduction of risks or the generation of specific benefits can be illustrated and further explained by carefully chosen interview statements.

8.2.2 Stakeholder Orientation of Swisscom

The stakeholder-orientation of Swisscom is relatively high compared to other companies due to its statutory public-service mandate and the therefore implied responsibility for the Swiss society at large. The long-term relations to its social-political stakeholders opened a strong success potential for the necessary fundamental changes in its strategy, structure and culture due to the privatization and also in future, as these relationships can be only heavily copied by new competitors occurring the market. But on the other hand the liberalization of the telecommunication market and the revocation of the monopoly status confronted Swisscom with new stakeholders and their specific needs and / or changes in former stakeholder relationships. Swisscom's most important stakeholder, the client, changed from a passive user to an active customer demanding more and better services and the will to switch to a newcomer if better conditions could be expected. By privatization Swisscom was additionally confronted with shareholders, investors and analysts, as kinds of

stakeholders which it did not have before. But the most important change in its stakeholder relations, due to its new positioning in the markets and in the social context was with societal stakeholders. The government, the regulator, the unions and the public generally had to find a new role in their interaction with Swisscom which changed in their view from a public service provider to a private competitor. Against the background of this development, the interviews clearly showed that a fundamental change in Swisscom's stakeholder relations was necessary. Summarizing the experiences Swisscom made during the privatization the shown flexibility can be seen as a valuable and promising asset for future developments. Additionally, Swisscom has proved its ability to change fundamentally and to find a new position in its stakeholder network. The current ranking of the strategic stakeholders in the mindset of Swisscom is important for the further analysis, assuming, that the set-up of the corporate governance system and structure as well as the composition of board members is influenced by this mindset. Thereby we will in the following outline the five most important stakeholder categories ranked by their frequencies from interview and document analysis as illustrated in Table 28:

As outlined in the former paragraph, Swisscom has a long tradition of building positive relations with its strategic stakeholders. This has been supported mainly by the nature of the public services provided to the Swiss society at large as former public enterprise which demanded stable, outstanding services over the long term. To a certain extent, the strong national anchorage of Swisscom in the Swiss market place as well as its humanity commitment may have reinforced this focus. However, from the analysis of documents and interviews it becomes clear that Swisscom increasingly views interactions with its strategic stakeholders (especially with the customers and the investors as upcoming stakeholders of strategic importance) in terms of their value creation potential. Stakeholder relations are justified mainly in terms of their value creation potential. The following Table 27 outlines the perception of Swisscom towards its stakeholders from a value creation perspective.

Swisscom			
Value Creation Dimensions	Frequencies from Document and Interview Analysis		
	D	I	Total
Contribution to value creation (general)	15	14	29
Benefit receiver	53	34	87
Benefit provider	6	22	28
Risk bearer	10	15	25
Risk provider	0	3	3
Total Wealth Creation	84	88	172

Table 27: Swisscom – Stakeholder Value Creation Perception.

Swisscom						
Types	Description	Frequencies				R
		Docs	Interviews	Total	%	
Regulator/ Government/Politics	Specific challenges but also benefits result from the multifunctionality (regulator, shareholder, customer) and the position of the confederation as a principal shareholder of the enterprise. Being aware of the strategic importance, Swisscom therefore tried to maintain its strong relationships to the Swiss government over the years.	21	86	107	20.19	1
Employees	As former monopolist in the telecommunications industry Swisscom sees itself confronted with only small opportunities for growth in the national market. Swisscom and therefore had to unemploy about 30% of its staff over a very short period of time. The cost-optimization efforts of Swisscom by the dismissal of employees led to uncertainties with the personnel as well as high public and political pressure. Due to outstanding compensations, social plans and a careful selection process Swisscom was able to overcome the issue and benefits today from a high employee satisfaction and excellent reputation as employer. But due to the missing growth and internationalization of the enterprise, Swisscom sees itself confronted with the problem to offer hardly foreign experiences for young cadre people. This makes the recruiting of young customer- and market-oriented employees more difficult, which are strongly needed in order to force the cultural change implied by the liberalization of the telecommunication market.	33	50	83	15.66	2
Customers	Mainly due to the privatization process customers became stakeholders of highest importance to Swisscom. The present hard price competition makes the service potential and customer relationship management of the competitors an important success factor, where Swisscom tries to build up stronger competences. Today, Swisscom takes care of its most important customer categories by a special unit, which tries among other things to use the knowledge of the customers for an increased service and innovation orientation.	29	53	82	15.47	3
Shareholders / Investors	Shareholders and/or investors only started to be regarded as important stakeholder by Swisscom since the privatization.	12	63	75	14.15	4
Stakeholders (general)		26	26	52	9.81	5

Table 28: Swisscom – Stakeholder Ranking and Importance.

8.2.3 Corporate Governance Understanding & System of Swisscom

Corporate Governance Regulation and Recommendation

When the company was established in 1998, the Board of Directors set itself the aim of providing a good example in terms of corporate governance. Swisscom therefore adheres to the most important national and international standards (see Table 26) in addition to a strong self-regulation (in some cases even above the recommended or regulated demands).

[...] da halten wir uns, soweit dies die Widersprüche in den einzelnen Regularien zulassen, an die notwendigen Regularien de jure und de facto. Das heisst zum Beispiel an die Schweizer Börsenregeln, inklusive Codes of Best Practice der economiesuisse Empfehlungen, an die amerikanischen Börsenregeln weil wir dort kotiert sind, bis hin zu, [...] den Dingen die wir als richtig empfinden selbst wenn sie nirgends stehen. Letzteres hat dazu geführt, dass gewisse Regeln die neu eingeführt wurden bei uns schon längstens Teil unserer Governance waren

[Transkript Alder]

This seems to be remarkable due to the fact that Swisscom is only bound to the rather loose Swiss regulations for corporate governance and its business is mainly focused on the national Swiss telecommunication market. The compliance to important European and US Regulations is therefore on the one hand influenced by the listing of Swisscom shares in the “EU-compatible segment” of the SWX and as “American Depositary Shares” (ADS) in order to increase the investor’s confidence of the focused financial markets and on the other hand to show an example of good practice in corporate governance due to the strong attention of the regulator and the Swiss society in general. In addition the compliance to these international regulations may support and introduce an internationalization strategy, which Swisscom is interested to take in order to gain long term growth opportunities that are not sufficiently available in the Swiss market environment as former monopolist.

Corporate Governance Understanding

Although the general stakeholder orientation of the company is very strong Swisscom has a rather traditional corporate governance understanding, which is mainly focused on the relationships between the corporate shareholders, the executive management and the board of directors.

Swisscom corporate governance is based on transparency and clear responsibilities. This means transparency for shareholders in group accounting and in reporting the performance of group companies, together with a clear allocation of responsibilities between shareholders, the board of directors, the executive board and group companies.

[www.swisscom.ch – Corporate Governance]

Furthermore this shareholder oriented corporate governance understanding was generally supported by the interview partners as illustrated by the following statement and we found no diverging understandings throughout the interviews:

[...] Also Corporate Governance definiert schlussendlich das strukturieren und regeln der Beziehungen zwischen Aktionär, Verwaltungsrat und Unternehmensleitung [...]

[Interview partner]

With regard to the defined understanding we conclude that Swisscom has not chosen a stakeholder oriented corporate governance understanding although the general stakeholder orientation can be valued as high. Paying particular notice to the contextual and situational factors as well as the specific stakeholder understanding and importance of Swisscom this shareholder focused understanding of the corporate governance term may have two reasons as indicated by the interview partners.

First, the shareholder focus in the corporate governance understanding may be influenced by the upcoming importance of the shareholders for Swisscom due to privatization. We assumed that the general focus of the corporate governance understanding of a company may have a strong signal to the internal and external environment of a company. Therefore the shareholder focus in the corporate governance understanding of Swisscom may on the one hand increase investors trust (signaling function to the external environment) and on the other hand point out the importance of the new stakeholders (the investors, shareholders and related stakeholders) to the employees and especially to management and the board of directors in order to change values and corporate orientation (signaling function to the internal environment).

Darüber hinaus glaube ich schon, dass die Beziehung zu den Aktionären, um einmal hier zu beginnen, einen recht deutlichen Einfluss hat auf unsere Corporate Governance, denn, ich stelle einfach fest, in der Beziehung zu den professionellen, zum Beispiel angelsächsischen, institutionellen Investoren, dass die Art und Weise wie wir die Corporate Governance leben ein wesentliches Vertrauenselement darstellt.

[Interview partner]

Second, as formerly outlined the Swiss government takes a triple stakeholder role as majority shareholder, customer and regulator for Swisscom. In contrary to other companies, the shareholder focus of Swisscom therefore also includes the Swiss Government as majority shareholder and important stakeholder of the company. The chosen corporate governance understanding therefore also implies a governmental- and customer-oriented perspective focused on relationships with the Swiss government.

[...] wir sind ein spezialgesetzliches Unternehmen, es gibt ein sogenanntes Telecom-Unternehmensgesetz, welches die Beziehung zwischen Bund und Swisscom auf der Aktionärsschiene regelt. [...] Und das ist eben deshalb notwendig, weil der Bund die Mehrheit hat aber die Minderheit an der Börse kotiert ist und wenn diese Regeln nicht kristallklar festgeschrieben sind, dann gibt es kein Anlegervertrauen.

[Interview partner]

The following Table 29 summarizes the above outlined key characteristics of the corporate governance system and the board of directors of Swisscom:

	Swisscom Swisscom AG	
Board Size	Total number of Board Members	10
Direct Stakeholder Representation	Direct Stakeholder representation of majority shareholder and employees	3
Board Composition	General Board Members	6
	Board Secretary	1
	Government (GOV)	1
	Employee (EE)	2
	Customer (C)	0
Board Structure	Board Committee (Ausschuss)	n/a
	Chairman	1
Board Committees	Number of Board Committees	5
	Financial Commission	s (4)
	Human Resources Commission	s (4)
	Revision Commission	s (3)
	Elections	ah (all)
	Executive Salaries	ah/s (4)

	Swisscom Swisscom AG	
CG Understanding	CG understanding - Traditional shareholder focus (CG focused on relationships between shareholders, board and executive management)	
Compliance	complies to most important national and international standards	
	SWX CGRL	full
	Swiss Code of Best Practice	full
	SOX Regulations	
	FSA Regulations	
	EU Capital Market Regulations	
	Additional Self-Regulations	
Board Independence	Independent Board Members	9
	no director has any significant business connection with Swisscom or any of its Group companies	
	no personal overlap between chairman and CEO	
Board Tenure	years of duration	2
	(re-election possible) max. term	8
	age limit	70
Board Meetings	One - two day sessions	
		10

Table 29: Swisscom – Corporate Governance and Board Characteristics.

8.2.4 Stakeholder Representation by Board Composition of Swisscom

In the following we will analyze the board composition of Swisscom in more detail in order to provide deeper insights on how the specific contextual and situational variables as well as the stakeholder orientation of the company shape the board of directors in its composition. With a total number of 10 board members Swisscom has a rather small board, which should open up the opportunity to have a high flexibility and quick response on environmental changes by its board of directors. Although Swisscom ranges below the average of the SMI sample in its board size it the number of plenary sessions (about ten one- or two-day annual plenary sessions) is remarkably above the average for Swiss boards of directors and illustrates the importance of the board for Swisscom in this time of new strategic orientation and positioning in the newly liberalized market. We further assumed that a company builds up its boards with regard to its general strategic stakeholder relationships as well as due to its contextual environmental and situational variables. Therefore we try to explain in the following the composition of the board by the evaluated highest ranking stakeholders of Swisscom (as outlined in the former sections and in more detail by Table 53 in **Fehler! Verweisquelle konnte nicht gefunden werden.**) as well as by the contextual and situational variables. The basic characteristics of board composition regarding the direct and indirect representation of stakeholders can be summarized by the following Figure 57 and will be further explained in the following subsections:

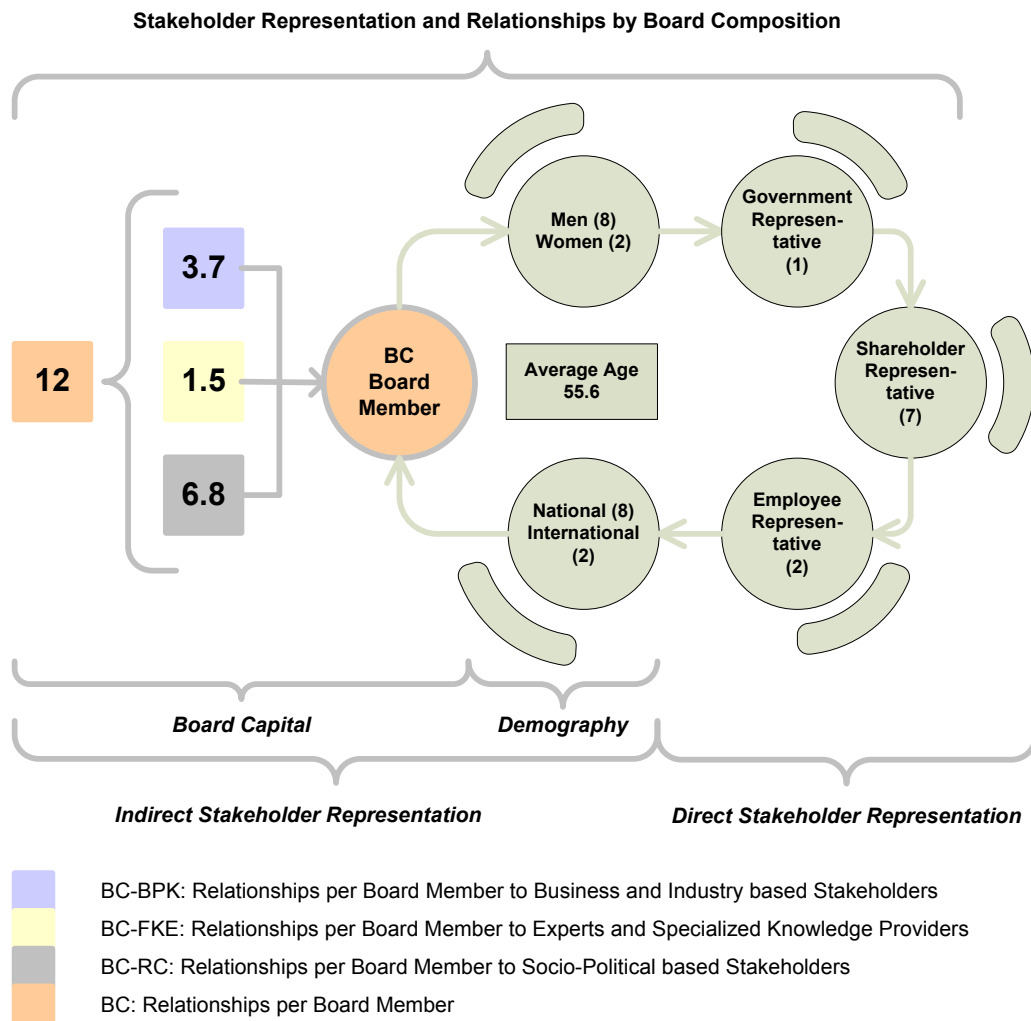


Figure 57: Swisscom – Stakeholder Representation by Board Composition

Direct Stakeholder Representation

Swisscom has a **direct stakeholder representation** on its boards due to firm specific regulations based on the former monopoly status of the company.

Es gibt ein sogenanntes Telecom-Unternehmensgesetz, das die Beziehung zwischen Bund und Swisscom auf der Aktionärsschiene regelt. Und da gibt es ganz konkrete Vorschriften. Zum Beispiel es muss ein Bundesvertreter geben im Verwaltungsrat, es muss Mitarbeitervertreter geben im Verwaltungsrat, und solche Dinge um jetzt einmal das anzusprechen. Und das ist eben deshalb notwendig, weil der Bund die Mehrheit hat.

[Interview partner]

The Swiss Federal Council has the right to delegate two members of the board of directors representing the government for a period of two years (renewable up to eight years). At the time of analysis only one direct representative of the Federal Council was in charge at the Swisscom board.

Wir haben einen Bundesvertreter und der nimmt im Verwaltungsrat seine Stimme wahr. Und das war bisher immer ein ausgezeichnetes Verhältnis.

[Interview partner]

Due to its multifunctional role as owner or majority shareholder, regulator and important customer, the Swiss government is a strategically relevant stakeholder for Swisscom and his direct representation on the board of directors and the thereby provided benefits are valued by the interview partners as highly important.

Er hat ja eigentlich 2 Rollen. Er ist Eigentümer also Mehrheitsaktionär und Regulator. Das sind 2 Rollen mit denen er fertig werden muss. Das ist nicht unser Problem. Als Eigentümer hat er sich bisher immer sehr kooperativ und fair verhalten und sich sehr wenig eingemischt. In all den Jahren gab es zwei konkrete Fälle, wo er sich eingemischt hat und etwas verlangt hat. Bisher hat er nie Veto – nur in einem Fall hat er bis jetzt Veto eingelegt und das war politisch begründet.

[Interview partner]

Although the direct representation was forced by the regulator himself and not by a strategic decision of Swisscom the direct representation opens-up communication channels and improves the relationships to governmental and political constituencies. This provides the possibility for an early adaptation or even proactive involvement into governmental decision making processes. Furthermore the direct representation of a governmental ambassador indirectly mirrors strategic decisions of Swisscom with the opinion and needs of the greater Swiss society which is accumulated by initiatives and legislative proposals as well as by ethical and sustainable principles. This fact on the one hand reduces the risk to make a strategic decision that is not in line with the regulatory and public opinion but also increases the risk to develop strategies that are not in the interest of the company in its future development and wealth creation perspective.

[...] Wir haben hier Zielkonflikte. Politische Zielsetzung, Transparenz, Arbeitsfriede gegen entsprechende rechtliche Vorgaben. Das ist noch ein schwieriger Spagat. [...]

[Interview partner]

However by direct representation of the major shareholder, the Swiss Government, on its board, Swisscom is not able to comply with the shareholder equality policy which may lead to criticism on the governance system of Swisscom in future.

Ja, und ich glaube die Diskussion ist in Gange, wenn man heute in die Medien schaut. Der Mehrheitsaktionär oder früher alleiniger Aktionär ist jetzt Mehrheitsaktionär neben anderen Aktionären. [Dieser] muss gleich behandelt werden nach schweizerischem und US-amerikanischem Börsenrecht.

[Interview partner]

In addition to the direct representation by the government, the FMG (Fernmeldeunternehmensgesetz) additionally determines the election of two employee representatives on the board of directors. The employee directors, typically nominated

by the labor union, as well as the federal director have the same rights, duties and obligations as the board members elected by the shareholders' general assembly.

Also, dass FMG, Fernmeldeunternehmensgesetz, schreibt ja zwingend vor, dass die Gewerkschaften mit zwei Vertretungen im Verwaltungsrat vertreten sind. Diese werden durch ihre Organe abgeordnet, also, ist nicht Wahl durch die Generalversammlung, sondern da ist eine Gewerkschaft Kommunikation, die sendet einen Vertreter ins Organ und die andern beiden sprechen sich ab. Also seit Swisscom Gründung.

[Interview partner]

The employee representatives thereby open up communication channels to the unions and to the employees of Swisscom. Critical strategic decisions (e.g. the personnel cutback after deregulation) can thereby be proactively discussed due to the direct involvement of the relevant stakeholders. This leads to benefit potentials by decreasing the opposition and thereby the swiftness in the implementation of critical decisions as well as by a continuous knowledge on the needs and concerns of the employees. Furthermore the direct representation of employees and employee representatives lead to a progressive and socially responsible human resources policy.

Also, Leuenberger erwartet zum Beispiel wenn wir grössere Stellenabbauprogramme fahren, dass wir die Gewerkschaften rechtzeitig einbeziehen, um Alternativen zu diskutieren etc. Und das fragt er dann, wenn Jens Alder zu ihm geht und ihm berichtet.

[Interview partner]

Indirect Stakeholder Representation by Demography

Regarding the results from the SMI analysis Swisscom has a relatively high ratio of **female board members** represented by its board composition (2 of 10 board members are women, 20%). This high ration of women on corporate boards is based on the equal treatment of women and men as stated by the personnel policy of Swisscom. Although Swisscom does not provide any specialized advancement training programs for women it strives for a continuous enhancement of the women ratio on management and board level.

Die Gleichstellung von Frau und Mann ist in den personalpolitischen Grundsätzen von Swisscom verbrieft. Der Frauenanteil vor allem im Kader ist noch zu tief; es gilt, das intern und auf dem Markt vorhandene Potenzial besser zu nutzen.

[SCA_CRS.txt]

On the other hand, as stated by the interview partners, Swisscom does not seem to be a favoured employer for women due to the solely national business focus and the missing development potential and personnel advancement propositions. The goal of Swisscom to increase the women ratio on board level therefore does not only seem to be limited by the small proportion of women on the Swiss labour market but also by the company's specific characteristics and contextual variables.

Wir hatten Arbeitskreise zu ‚Frauen im Management‘, das ist dramatisch gewesen, wir sind jetzt noch am kämpfen wie wir es machen, aber eins ist klar, wir machen riesen Fehler. Wir hatten immer das Gefühl, der Arbeitsmarkt ist nicht gegeben, und die paar Frauen, die wir eingeladen haben, haben uns gesagt, dass wir das Problem sind und haben das bewiesen, das ist unter die Haut.

[Interview partner]

Swisscom is conscious about the benefit potential of women on board level regarding their ability to signal a female role model to other women in the labour market (external signalling) or provide mentoring to employed women in management positions (internal signalling), seen as a rather long-term instrument for improving the company image. Furthermore the inclusion of women on the Swisscom board seems to be recognition of changing demographics and societal trends not only on labour force demographics but also in the customer segments, customer needs and product innovation.

Ich denke, obwohl wir ökonomisch gut dastehen, aber die Marktbedürfnisse sind bekannt. Bedeutet auch, dass wir vor dem Hintergrund demografischer Entwicklungen Themen haben wie jedes grössere Unternehmen. Dass wir uns den gesellschaftlichen Trends sehr viel stärker bewusst sein wollen. Da haben wir einen Rückstand, da haben wir wenig getan. Also, Diversity-Themen, Gender, alt/jung, auch Ausländer/Schweizer, da haben wir einen Rückstand.

[Interview partner]

Warum macht man es nicht so, dass eine Frau auch begreift, was sie kauft, weil ich schon längst der Meinung bin, dass die Autos also da entscheiden die Frauen zum Teil heute schon, die Partner oder wie auch immer...was da gekauft wird. Und so wird es auch in Telekommunikation sein, oder? Man soll das Kundensegment viel ernster nehmen. Also ich bin unvorbereitet auf die Frage, aber ich sage einfach einmal Innovation.

[Interview partner]

Furthermore woman directors corresponding with high board diversity are stated to add an independent view to decision and strategy making processes.

Es gibt nicht eine Situation wo jemand alleine, da sitzt und sagt wir [Swisscom] machen jetzt. Das geht nicht. Sondern es braucht den Kommunikationschef, es braucht den Mann der die Verwaltung gut kennt, es braucht den Juristen, es braucht, es ist wirklich multidisziplinär, es braucht im Zweifelsfall sogar die Frau, oder, es braucht zum Beispiel Esther Häberling von Zeit zu Zeit, die muss einfach dazu.

[Interview partner]

The inclusion of women on the board of directors' level seems to be especially important for Swisscom due to the strong influence and monitoring by the Swiss government. Especially in the discussion of gender equality and the employment ratio of women at Swisscom, female board members provide value by trust and understanding in gender-related negotiations.

Und dann gibt es die Gender-Problematik im Parlament, oder, wie viele Frauen müssen in der Swisscom arbeiten, oder sollen. Und da braucht es einfach immer, da braucht es immer diese, es braucht diese ad hoc Zusammensetzung, und das macht ein sehr grosses Vertrauen unter den involvierten Personen.

[Interview partner]

The Swisscom board additionally shows that the women directors tend to be younger than their male colleagues although Swisscom generally has a rather young board of directors with an **average age** of 53.55 years (ranges from 40 to 65). But It seems to be interesting that the female board members only have an average age of 46.5 (40 and 53 years old) whereas the men have an average age of 55.57 (43 to 65 years old). This relatively young board is based on the need for a quick adaptation of Swisscom to the deregulated market environment. In order to initiate cultural change and to support innovative strategies and new ideas Swisscom has rebuilt its top-management by young and ambitious employees.

Am 1.1.1998 hatten wir glaube ich die Liberalisierung. Swisscom war damals noch ein Monopolbetrieb, und man hat versucht einen Change herbeizuführen. Es gab da verschiedene Massnahmen. Eine war, dass man alle Mitarbeiter über 55 pensioniert hat. Man hat neue Leute geholt, und wenn man sich die Geschäftsleitung anschaut, da sind alle neu. Und wenn man heute das Top Kader anschaut, das etwa 70 Leute umfasst, dann schätze ich mal, dass von diesen 70 Leuten 65 noch nicht da waren am 1.1.1998.

[Interview partner]

Therefore the board may benefit from new ideas and innovative strategies coming from both genders. Additionally and in comparison to other companies the terms of directorship appointment is relatively short (2 years). This offers Swisscom the opportunity to quickly react to internal or external circumstances by re-composing the board due to specific needs and expertise.

The board is furthermore highly composed of board members with Swiss **nationality** (8 of 10 board members). The two foreign board members (Kreindl, T. from Austria and Roy, R. from Germany) are from Swiss adjacent countries sharing a common language as well as values and norms. These board members represent current and or future markets of Swisscom and therefore provide an important linking function to these markets and market environments.

Wir versuchen eigentlich die professionell besten Fachleute zu finden. Wir haben 2 Personen aus Deutschland und Österreich. Die wurden lange gesucht und wir haben hier mittlerweile ein sehr hohes Niveau erreicht.

[Interview partner]

Ich sage es ist ein anderes Internationales. Es gibt weniger Differenz zwischen einem Österreicher und einem Deutschschweizer, als zwischen einem Mann aus Indien oder Malaysia und einem Deutschschweizer. Nicht wahr, die Horizonte sind anders und das ist näher. [...] Das sind schon andere Mentalitäten, das ist nicht so weit, sei es

geographisch oder sei es auf Mentalitätsebene. [...] Also es fehlen uns, sagen wir, Grundkenntnisse über andere Kulturen. Das ist eine grosse Schwäche.

[Interview partner]

Indirect Stakeholder Representation

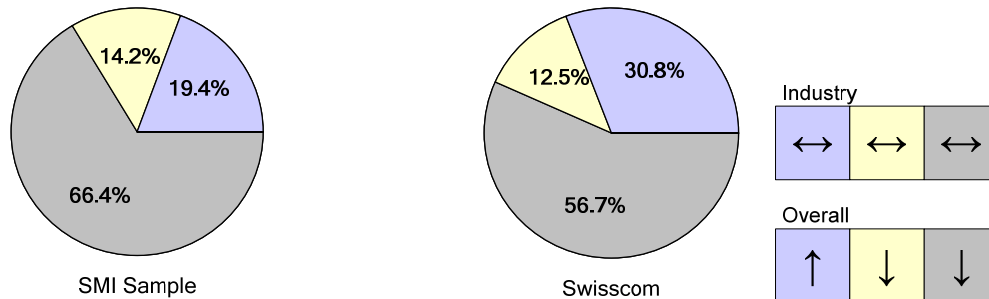


Figure 58: Swisscom – Indirect Stakeholder Representation by Board Composition.

Indirect Stakeholder Representation of Company, Business and Industry based Stakeholders

In the SMI Analysis we summarized indirect stakeholder relationships to the focal company or companies and constituencies in the business and industry environment of Swisscom by the BC_BPK dimension. In comparison to the full SMI sample Swisscom stated with 6.8 relationships per Board member to stakeholders in its business environment a relatively low ratio (rank 16). Additionally, the company specific importance of this dimension (56.7%, 68 of 120 hits) is in comparison with the importance given by the full sample of all companies (66.4%) relatively low in this dimension. In the following we will analyze the sub dimensions of the BC_BPK code tree in more detail in order to evaluate which specific factors in this dimension are of special importance to Swisscom due to its situational and contextual variables.

None of the board members has gained **firm-specific knowledge** based on current or former work experience in the Swisscom AG and / or Swisscom Group. This finding can be explained by the claim for a high degree of independence of the board members (e.g. no executive occupation for at least 3 years) as claimed by the applied regulations and recommendations. According to the recommendations of the above mentioned codes and the corporate policies, there furthermore exists no personal union between the chairman of the board of directors and the CEO at Swisscom. In addition the CEO as well as other members of the executive board may not sit on the board of directors. This clear separation of the executive and the directive function should guarantee the division of powers and preclude the risk of abuse of self-regulation. But in the interest of a consistent group management, the CEO of the Swisscom Group chairs the boards of directors of the strategic group companies, with the CFO (Chief Financial Officer) and the CSO (Chief Strategic Officer) as additional members. Although the Federal Council, which represents the Swiss government as majority shareholder of Swisscom (according to a press release issued by the Federal Department of Finance (FDF) on 14 September 2006, the Swiss Confederation has a majority holding in the company in

terms of capital and votes, amounting to 33.13 million shares or 58.41 percent of Swisscom's share capital), has a strong influence on the strategic objectives of Swisscom by determining the long-term strategic orientation for 3 years.

Though three board members state company and business knowledge of the PTT, Swisscom developed from by the privatization in 1997. Therefore at least two board members have knowledge on the history and former strategy, structure and culture of the company as well as open up relationships to former members of the PTT that were resumed by Swisscom. Although from a resource-based point of view positive effects based on the deepened insights and knowledge of the business, structures and processes as well as personal relationships as an employee of the focal company can not be fully realized by the current board set-up. In order to limit the negative effects of board independence Swisscom has therefore established a comprehensive introduction program for new board members which makes them acquainted to the companies strategy, structure and culture as well as to the competitive and socio-political environment and its contingencies.

Four board members gained business experience in the same industry (**industry knowledge**). Three of them (the representatives of the employees and the representative of the government) gained industry experience in the former PTT, one (Kreindl, T.) in the former German monopolist "Deutsche Telecom". The knowledge and potential relationships to business and industry partners provided by T. Kreindl seems to be interesting due to the intended internationalization strategy (focused mainly on the German-speaking countries) of Swisscom. Additionally, as former employees of the PTT, the employee representatives and the governmental representative seem to know the business environment as well as the problems and concerns of the employees of a telecommunication provider and open up links to these stakeholders as outlined in the former section.

In comparison to other companies the **general business knowledge** applied to the Swisscom board of directors seems to be relatively low (68 hits in dimension, see SMI data analysis for a more detailed comparison). On average each board member thereby opens up 6.80 linkages to stakeholders in the business environment of Swisscom. A strong focus has been set by individual board members to the banking industry (4 linkages; Kreindl), the pharma industry (4 linkages; Vock), the IT industry (4 linkages; Roy) and especially to the Media (5 linkages; Mühlemann). Generally we can state that the female board member's industry ties as well as the employee representative's industry ties range remarkably lower than the industry ties of the other (male or general) board members. Overall the strongest industry ties can thereby be evaluated in Governmental (10 hits, 15%), Banking and Transportation (8 hits, 12%); Media (7 hits, 10%); Technology and Pharmacy (6 hits, 9%). The findings can be interpreted as follows:

- The high frequency of **governmental** business knowledge indicates that Swisscom is aware of the importance of the government as important stakeholder and therefore nominates board members based on their former or current business knowledge and experiences in governmental institutions.

- In addition to this finding we can explain the high focus on board member knowledge and experience in **technology** due to the strong relatedness of this dimension to the telecommunication industry as well as by the focus of Swisscom as a knowledge based company with a formerly high technology-driven culture (based on strong in-house R&D covering a broad range of products and technologies) that currently changes to a more customer-oriented focus. In addition, relationships to important knowledge providers in the technological environment of Swisscom, opens the opportunity to be informed about and to quickly adopt new technological developments.
- The high **banking** focus may be related to the increasing importance of the financial environment of the company and dependence on external financial resource providers.
- The **media** relationships seem to be important for building up new competencies to respond to the products of competitors (e.g. Cablecom) and thereby to open up new business opportunities Swisscom strives for (e.g. Swisscom Broadcasting Projects).

Jetzt, wir gehen schon noch einen Schritt weiter, die Investoren möchten auch gewisse Dinge sehen, wie es dann funktioniert. Deshalb haben wir zum Beispiel im April Capital Market Events organisiert in Interlaken. Da waren, ja, ungefähr 80 der grössten Anleger und Sell Side-Analysten, die meisten aus London, aber auch aus Amerika, aus Deutschland, Frankreich und der Schweiz natürlich. Die sind hierher gekommen und wir haben zwei Tage Seminar gemacht, auch Social Events usw., aber auch Präsentation und Demonstrationen. Demonstrationen nur von Innovationen, damit wir auch mal zeigen können, dass wir wirklich etwas haben, was ziemlich „Top of the Bill“ ist. Und da haben wir zum Beispiel vier Demos gemacht, wie TV über ADSL, also über Kupferleitung, aber nicht normales TV, mehr als normales TV, andere Produkte dahinter. Zweitens haben wir auch Voice over IP demonstriert. Nicht nur, weil wir zeigen möchten, dass wir das beherrschen, aber auch, weil jeder weiss, das ist eigentlich eine Bedrohung, und was macht ihr eigentlich? Wir investieren gross, weil wenn jemand kannibalisieren muss, dann ist es besser, wenn wir uns selber kannibalisieren, statt dass die Sunrise rein kommt und es macht, oder Cablecom.

[Interview partner]

Media relations also became relevant due to specific events Swisscom was involved by its recent past (e.g. round of dismissals and antenna issues). Thereby personal relationships to the media seemed to be relevant for the board of directors and top management in order to open up communication channels in both ways.

Wir pflegen auch unsere Beziehungen zu den Medien sehr bewusst. Wir haben 2 vollamtliche Mediensprecher, die nichts anderes machen. Wir pflegen bewusst auch eine sehr offene Medienpolitik.

[Interview partner]

- Due to the information available on the corporate background we can not explain the high focus on board member expertise and knowledge of the **Pharmacy and Transportation** industry.

Indirect Stakeholder Representation of Business Practice and Expert Knowledge based Stakeholders

The analysis of the individual board members **business practice knowledge** shows that a strong focus is set on management experience of the board members (15 management positions over all board members). Only one board member (employee representative) has not held any management position so far. From an employee representative point of view this may have its benefits (e.g. high trust of employees). Again the business practice of the female board members as well as of the employee and governmental representative's range much lower than the business practice knowledge of the general board members.

The **board process knowledge** of Swisscom board members (49 hits, 4.9 board relationships by board members) seems to be high in comparison to other companies. It seems to be interesting to note that especially the employee (11; 6) and governmental (9) representatives are outperforming in this dimension.

The main focus of **educational knowledge** in the board of directors (4 board members with at least one technology oriented educational skill) is strongly connected with the core competences of Swisscom as a telecommunication provider. Although Swisscom is a knowledge based company, the number of hits (15) does not reflect this knowledge orientation by the amount or heterogeneity of educational skills of the board members. With 1.5 hits per board member to educational knowledge and expertise and therefore to experts and expert knowledge in the companies environment as well as by only 6 of 12 dimensions covered, the educational knowledge of the Swisscom board members is rather low in number and heterogeneity. Highest importance is set on business administration and therefore on supportive knowledge (5 hits, 33%) whereas expert knowledge from technological education ranks on second place (4 hits, 27%). Further expertise and knowledge is gained by at least one member with educational skill in business administration (2); legal (1); PR (1); philosophical studies (2).

Indirect Stakeholder Representation of Socio-Political Stakeholders

The **indirect stakeholder representation of socio-political stakeholders** (BC_RC) by the Swisscom board of directors was evaluated by the memberships and engagement of the individual board members as stated in the biographical data provided by the company or as found in other publicly available data sources. In comparison to the full SMI sample Swisscom stated with 3.7 relationships per board member to stakeholders in its socio-political environment a relatively high ratio (rank 12). Additionally, the company specific importance of this dimension (30.8%, 37 of 120 hits) is in comparison with the importance given by the full sample of all companies (19.4%) relatively high in this dimension. In the following we will analyze the sub dimensions of the BC_RC code tree in more detail in order to evaluate which specific factors in this dimension

are of special importance to Swisscom due to its situational and contextual variables. The following insights can be made due to the analysis of data:

- Overall, compared to other companies in the SMI sample and in the case study analysis the indirect stakeholder relationships of Swisscom based on the individual relationships of each board member seem to be well distributed (high heterogeneity 10 of 12 dimensions covered) and high in number (37 hits in dimension). Thereby each board member opens up 3.7 linkages by his or hers stated memberships and affiliations to institutions and stakeholders in the socio-political environment of the company. Swisscom thereby opens up strong linkages to Unions, to Political and Governmental Institutions, Community Institutions and to the Media (6 hits, 16% each). Swisscom is further focused on Educational institutions (4 hits, 11%) which support its knowledge orientation.
- The most ties to external and internal stakeholders can be found by the representatives of the employees and the government opening up relationships to unions, the regulator and different communities.
- Due to her educational and business background as well as the strong interrelatedness and network structure of the stakeholder itself, C. Mühlemann, opens up strong ties to various media institutions.

8.2.5 Stakeholder Representation in the Board Structure of Swisscom

The following picture illustrates the corporate governance system and board structure established by Swisscom.

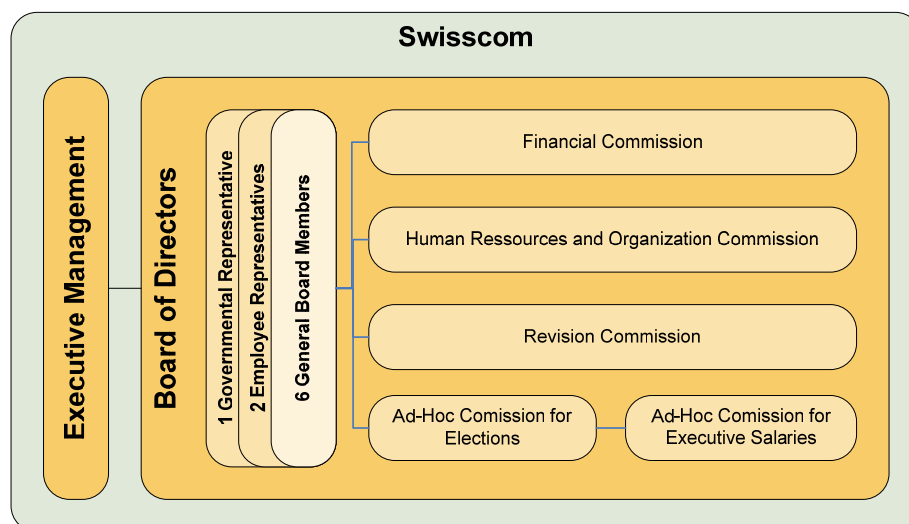


Figure 59: Swisscom – Board Structure

The board of directors of Swisscom establishes three standing committees, dealing with the aspects of finance, personnel administration and auditing, while two ad hoc committees are responsible for management appointments and remuneration. Therefore Swisscom has applied two traditional standing and two traditional ad-hoc

committees, while the human resources and organization committee can be seen as a specialized committee that is concerned with the treatment of the employees as important stakeholders of the company. In the following we will analyze how Swisscom included direct and indirect stakeholder representation into their board structure in order to analyze the importance given to the input from these relationships. The following findings can be made based on the tables provided in the appendix x of this chapter:

- The committees are composed due to the specific skills, knowledge and expertise of the board members.
- The chairman of the board (A. Scherrer) is represented on each committee
- The committee responsible for workforce and organization (AP) is composed by direct stakeholder representatives of the employees and the government.
- It seems to be remarkable, that although due to the increasing interest in issues of management remuneration, the employee representatives are not part of the remuneration committee of Swisscom and therefore do not seem to have a strong influence on the remuneration policy of the company. Instead the direct stakeholder representative of the government is a member of the remuneration committee, which assumes a strong influence of the government regarding questions of remuneration.

Based on these findings the direct representatives of stakeholder at Swisscom are not valued as a “tokens” but are instead consciously included into the board and its structure due to the specific skills, knowledge and expertise of the representative.

8.3 Summary of the Findings Swisscom

In comparison with the former evaluated ranking of stakeholders with strategic importance for Swisscom the analysis of the stakeholder representation by board composition can be illustrated by the following table and will be briefly summarized in the succeeding paragraphs:

Swisscom								
STH Types	Frequencies from Document and Interview				Indirect Representation			
	D	I	Total	R	DR	IDR_BR	IDR_ER	IDR_SPR
Regulator/ Government/ Politics	21	86	107	1	x	Governmental (10/86 Hits, 15%)	(-)	Political Inst. (6/37 Hits, 16%)
Employees	33	50	83	2	x	Telecom (8/86 Hits, 12%)	(-)	Unions (6/37 Hits, 16%)
Customers	29	53	82	3	(x)	Technology (6/86 Hits, 9%)	Tech (4/15 Hits, 27%)	(-)
Shareholders / Investors	12	63	75	4	(x)	Banking (8/86 Hits, 12%)	BA (5/15 Hits, 33%)	(-)
Stakeholders (general)	26	26	52	5	(x)	Media (7/86 Hits, 10%)	(-)	Community Inst (6/37 Hits, 16%) Media (6/37 Hits, 16%)

Table 30: Swisscom – Comparison of Stakeholder Importance and Representation.

- Swisscom has its most important stakeholder groups, **employees** (15.66%) and **regulator** (20.19%), directly represented on the board of directors level and has in addition to this direct representation indirect relationships to these stakeholder groups applied.
- Although the **customer** is mentioned in interviews and documents as an important stakeholder (15.47%) with increasing importance in future, he is neither stated as directly nor indirectly represented by the board of director's stakeholder relationships or individual board member characteristics. Only by taking the government in its multifunctional role, as major customer of Swisscom into account the representation becomes well established.
- Although the **investor** (14.15%) gained growing importance for Swisscom, a general shareholder representation was not implemented into the board composition. Again, only due to the multifunctional role of the government, as majority shareholder, its representation on the board of directors can be interpreted as a well established direct and indirect representation on the board of director's level.
- The **general stakeholder orientation** as stakeholder group of fifth priority (9.81%) is well established and broadly distributed on Swisscoms' board of directors' level. This finding was illustrated by the high and broad establishment of business relationships (HC-GBK: Firm-specific, Industry-specific and General Business Knowledge) as well as by the high and broad establishment of relationships from the socio-political environment of the company (HC-RC: Relational Capital). Swisscom is especially outperforming in its demographical heterogeneity and by the inclusion of women, a direct relationship of board member nationality due to its current and targeted future business focus and board member age below the average.

8.4 The Suva Case

The Swiss National Accident Insurance Fund (Suva) is Switzerland's largest accident insurer and leading provider of health care coverage for employees in case of accidents in Switzerland. Suva was founded in 1912 with the introduction of a obligatory accident insurance (KVUG 1912) by the Swiss government and the concerned enterprises in order to insure to the growing health-endangering conditions of work influenced by the increasing industrialization of the economy, that were not covered by existing insurers. For a long time Suva therefore held a monopoly for compulsory coverage of employees in high risk professions. The further development of the Suva was and is still today strongly interconnected with the development of the UVG (accident insurance law). With the arising development from an industry to a service oriented economy and by the revision of the UVG regulation in 1984, with an opening of the market for accident insurance also for private insurers, for Suva a gradual decrease of the business possibilities in the former core business began. New strategies (e.g. Suva 95 Plus, Serto, Qualität 2000 Plus) were formulated as well as business structures and processes were adapted in order to develop Suva to a customer-, competition- and efficiency-oriented enterprise that would be able to deal with a potential privatization of the company and liberalization of the market in future. Today Suva is an independent, non-profit company under public law (accident insurance law; UVG) that does not receive any state subsidies. Suva insures over 1.8 million employees in 112'037 companies against occupational and non-occupational accidents as well as against work-related illnesses mainly in the secondary business sector, i.e. industrial trading and commercial enterprises. Additionally Suva is responsible for issuing regulations on work security due to its high and long-term knowledge in work-related accidents. Effective from 1st July 2005, the Swiss Confederation also transferred the management of Switzerland's military insurance to Suva. Although the military insurance remains an independent social insurance institution as laid down by the Military Insurance law. In 2006, Suva employed 2'682 workers with 514 of these working in the self-established rehabilitation clinics in Bellikon and Sion. The following table provides an overview on the key characteristics of Suva:

	Suva Schweizerische Unfallversicherungsanstalt
Industry	Financial Services (Insurance Industry) Service Industry
Geographical Focus	National Focus
Foundation	1912
Shares and Listing	Not traded 100 % Governmental property No cross shareholdings
Employees	2'682
Revenue	CHF 156 Mio.
Sales	CHF 5'840 Mio.

Size (relative to Cases)	Small
Regulation	High (Relative to Cases: High)
Markets	Restricted Market (Part-Monopoly, Largest Competitor) (low competition)
Orientation	Knowledge Capital

Table 31: Suva – Case Overview.

8.4.1 Data Analysis of Suva

The following results and insights of the Suva case study are based on the analysis of 16 external accessible and / or internal documents and 11 interviews with the CEO and members of the top and middle management. Appendix A.2.1 and A.2.2 provides an overview on the documents coded and the company representatives interviewed at Suva.

The following subsections will outline the key findings from the document and interview analysis regarding first, the general stakeholder orientation and importance of specific stakeholder groups for Suva as well as their development over time. And second, the corporate governance system as well as the board composition and structures of Suva.

8.4.2 Corporate Stakeholder Orientation of Suva

Since the establishment of the Suva arose from a conscious social political adjustment, this had a strong influence on the stakeholder-orientation and relationships of the company until today. Already at that time a differentiated network of strategic stakeholders developed, consisting of the Swiss government, the trade associations (customers and social partners), the political parties as well as the private insurance economy as upcoming competitors and industry partners. The stakeholders are generally seen as benefit receivers, especially customers and employees. Thereby, Suva is one of the few companies that at least partially makes use of the knowledge of its employees (e.g. by a comprehensive knowledge management system). This aspect is most developed in the area of medicine or health and safety with the physicians and customers. In the same way, the employees and social partners are gaining importance as knowledge bearers, of whom however more systematic use could be made. The stakeholder relationships as well as the corporate governance system of Suva were in recent times strongly influenced by the uncovered irregularities in real-estate sales (so called “Immobilienkrise”). This event was scandalized in the media and led to considerable changes in the stakeholder relationships and the corporate governance structures of Suva.

Ich denke einfach das ist der Funke (gemeint ist die Immobilienaffäre). Es ist ja wie bei einem Erdbeben, man hat die Spannungen schon vorher und die wachsen über die Jahre. Das ist wie bei der Corporate Governance. Die Welt verändert sich und die Corporate Governance verändert sich nicht und irgendwann sind die Spannungen so gross, da

gibt es dann einfach einmal eine grosse Änderung, einen grossen Rutsch. Und diesen Rutsch den sehen wir jetzt einfach ausgelöst durch die Immobilienaffäre. Wichtig wäre einfach, dass man nicht einfach alle 20 Jahre einen grossen Rutsch macht, weil die Schäden dann einfach zu gross sind. Wichtig wäre, dass man sich kontinuierlich anpasst.

The challenges in stakeholder management and the stakeholder relationships will be shortly outlined by the following table.

Accordingly to Swisscom, Suva also has a long tradition of building positive relations with its strategic stakeholders. This has been supported mainly by the nature of the public services provided to the Swiss society at large as public enterprise which demanded stable, outstanding services over the long term. To a certain extent, the strong national anchorage of Suva in the Swiss market place as well as its humanity commitment may have reinforced this focus. However, from the analysis of documents and interviews it becomes clear that Suva strongly perceives its stakeholders as benefit receivers and neglects the positive effects of stakeholder relationships in terms of their value creation potential. The following Table 27 outlines this perception of Suva towards its stakeholders from a value creation perspective (stakeholders as risk providers/bearers or benefit providers/receivers).

Swisscom						
Value Creation Dimensions	Frequencies from Document and Interview Analysis					
	D	%	I	%	Total	%
Contribution to value creation (general)	0	0%	3	3%	3	2%
Benefit receiver	66	62%	56	52%	122	57%
Benefit provider	31	29%	26	24%	57	26%
Risk bearer	4	4%	15	14%	19	9%
Risk provider	5	5%	8	7%	13	6%
Total Wealth Creation	106	100%	108	100%	214	100%

Table 32: Suva – Stakeholder Value Creation Perception.

Suva						
Types	Description	Frequencies				R
		Docs	Interviews	Total	%	
Customers	The customers of Suva are twofold and can be summarized by the insured companies as well as their employees. While the companies are obligated to insure their employees and therefore are interested in a preferably low insurance premium, the employees of the insured companies are more interested in a full insurance coverage and the quality of services in the case of an accident. These diverging interests are not easy to combine and therefore Suva as well as the regulator has chosen to include both stakeholders into board and into resource allocation decisions. It is an important obligation for Suva to satisfy the customer's needs in both directions, by the provision of an excellent service for a preferably low rate. This quality and efficiency orientation is embodied in the new established process orientation of Suva and developed in such a way, because little energy had to be invested into the acquisition of customers so far. This may change if the market for accident insurance will be further liberalized.	68	55	123	29.50	1
Employees	Due to the incremental change of the company from a bureaucratic governmental institution to a stronger market and efficiency oriented company the employees can be divided into "old" and "new" Suva employees with different mindsets about work attitudes as well as in the strategic orientation and changes of the further development by the company. Resistances in the strategic decision making and implementation therefore seem to be conceivable.	40	39	79	18.94	2
Experts (e.g. Lawyers, Physicians)	Physicians can be seen as a specific group of Suva stakeholders, which are regarded as important knowledge providers for the company itself (e.g. employees and internal physicians) as well as an important connector to knowledge providers (e.g. customers and external physicians) outside the company. On the basis of Suva's position in the accident domain, it has thereby built up comprehensive medical expertise, of which it makes efficient use in case management as well as in dealing with external physicians.	13	39	52	12.47	3
Regulator/ Government/Politics	Due to the fact that the Suva is not a listed company it does not have shareholders, investors or owners in the common sense. In the understanding of the company and the interviewed company representatives the Suva belongs to its customers (providing financial resources by their payment of the insurance premium) or in an extended understanding to the society at large, represented by the Swiss federation, which makes the necessary legal adjustments and controls over the appropriate instances on the activities of the Suva. The government therefore arises in a multiple stakeholder function and is directly represented on the board of directors.	18	24	42	10.07	4
Industry, Business and Social Partners	The social partners have a special position within Suva. The social partners represent institutions that reflect the democratic process and its political influence in Switzerland. Thereby the strategic as well as the operative level of the political and societal needs of Switzerland are represented	4	37	41	9.83	5

Table 33: Suva – Stakeholder Ranking and Importance.

8.4.3 Corporate Governance Understanding & System of Suva

Corporate Governance Regulation and Recommendation

Suva commits itself to the general recommendations regarding corporate governance of the Swiss financial market but with restrictions due to its outstanding type of business ownership. More specifically Suva complies to Swiss GAAP and partly to the SWX regulations.

Corporate Governance Understanding

Suva has stated no clear corporate governance definition whether in its documentations nor in its internet presence. Even by the analysis of the interviews no clear and common understanding of corporate governance can be stated. With regard to our definition of the variable we therefore conclude that Suva has an understanding of corporate governance in line with the applied regulation and recommendation. As Suva complies partly with the SWX Regulations its corporate governance understanding seems to be shareholder / investor / owner oriented. This owner orientation seems to be adequate for Suva by taking into consideration that Suva states in documents and interviews its customers and the Swiss government as its owners.

Nein, nein, oder, wir haben keinen Shareholder, wir haben keinen Investor. Wir haben den nicht. Der Investor ist eigentlich der Versicherte. D.h. das Kapital, das hier investiert ist, das auf der Aktivseite da ist, das wir in dem Sinne verwalten, das gehört dem Versicherten. Das ist die abdiskontierte Rente, die wir jetzt einfach verwalten. Und klar, eigentlicher Aktionär könnte man sagen, ist der Bund, ja der Bund steht dahinter. [...] Aber eben, die Frage: wem gehört die Suva? Das gehört den Versicherten, das gehört – was angespart ist – es ist sehr ähnlich wie in einer Pensionskasse.

Mäder

[...] Weil wir ganz anders als ein kotiertes Unternehmen die Kunden direkt in der Regierung also im Verwaltungsrat haben. [...] Nehmen wir an wir wären ein kotiertes Unternehmen. Wer wären dann unsere Besitzer typischerweise? Das wären dann die Versicherten irgendeiner Pensionskasse. [...] Und bei uns ist das so, der Besitzer das sind ja unsere eigentlichen Kunden und wir treffen uns ja regelmässig mit denen.

Niggli

Based on this company specific definition of shareholders and ownership the corporate governance understanding implies a governmental and customer oriented perspective. Although in order enhance the signaling effects to external and internal constituencies Suva should state this focus more clearly in its corporate governance understanding. The following table summarizes the key characteristics of the corporate governance system and the board of directors at Suva which will be outlined in more detail in the following paragraphs:

	Suva Schweizerische Unfallversicherungsanstalt	
Board Size	Total number of Board Members	38
Direct Stakeholder Representation	Direct stakeholder representation of regulator and customers	38
Board Composition	General Board Members	0
	Government (GOV)	6
	Employee (EE)	0
	Customer (C) - employee (CEE) - employer (CER)	32 (16) (16)
Board Structure	Board Committee (Ausschuss)	7
	Chairman (GOV)	1
	1st Vice Chairman (CEE)	1
	2nd Vice Chairman (CER)	1
Board Committees	Number of Board Committees	3
	Financial Commission	s
	Real Estate Supervision Commission	s
	Military Assurance Commission	s

	Suva Schweizerische Unfallversicherungsanstalt	
CG Understanding	no explicit CG understanding	
Compliance	Swiss minimum standards (Swiss GAAP)	full
	SWX CGRL	partly
Board Independence	Independent Board Members	0
	each director has a significant business connection with Suva	
Board Tenure	years of duration	6
	(re-election possible), max. term	n/a
	age limit	n/a
Board Meetings	Full plenum (40 board members) twice a year	

Table 34: Suva – Corporate Governance and Board Characteristics.

8.4.4 Stakeholder Representation by Board Composition of Suva

In the following we will analyze the board composition of Suva in correspondence to the former board analysis of Swisscom in order to provide comparable insights into the different aspects of board composition and structure and deepened insights on how the specific situational variables and the stakeholder orientation of the company shape the board of directors in its composition.

The full assembly of the board of directors is nominated by the Swiss Federal Council for at least 6 years, from there on the board of directors can constitute itself independently from the legislator. Thereby the number of the full board (38 board members) established at Suva is above all recommendations concerning the set up of a productive and efficient board of directors. Therefore it should be noticed that the full board in the case of Suva has to be understood similar to the general assembly of a publicly traded company but with a higher interaction frequency and ability to influence the decision-making process of the company. In order to overcome the negative side effects of too large boards the board of directors thereby forms an eight member commission that actually represents the leadership of Suva. The full assembly of the board meets twice a year, the board commission meets 8 times per year. The advantage of a large board is that decisions receive broad support, since the individual members of the board represent multiple functions of the various strategic stakeholder groups. Some of the interviewees are critical that the board of directors does not have any actual competencies to determine Suva's strategy, but that instead the strategy is solely determined by the Federal Council, namely the Parliament.

Wir halten das System mit der Idee einer Delegiertenversammlung für äusserst vernünftig, weil es die Anhörung der Sozialpartner garantiert. Wir finden aber auch, also auch ich, ich finde das äusserst wichtig, dass dieser Verwaltungsrat verkleinert wird. Man kann mit ihm so nicht arbeiten. Das ist ein solch grosser Apparat, das geht einfach nicht. Und deshalb, es muss ein fitter kleiner Apparat werden. Wir haben uns sehr auseinander gesetzt mit der Qualität dieses Verwaltungsrates und wir sind nicht durchgedrungen bei unseren Vorschlägen, auch fachlich qualifizierte Leute mit rein zu nehmen. Das wollte der Rat nicht akzeptieren und wollte das nicht so dem Bundesrat vorschlagen.

In the future, the board is expected to be greatly reduced (5-8 board members) in size, and by this divided into two managerial levels in order to be more agile. The interviewees state that this change will not have large influence on the current governance processes, since the board commission already consists today of eight members and full fills according to a corporation the tasks and authority of the usual board of directors. The existing 40 member board of directors would remain, but function as an advisory board while the board commission is responsible for the steering and supervisory functions. Therefore the main stakeholders will be further represented in this advisory board, which is positively regarded by the interviewees due to the fact that this stakeholder representation however provides an indispensable value for Suva.

Ich glaube der Vorschlag, wie man ihn ja jetzt dann in einer ausserordentlichen Verwaltungsratssitzung gemacht hat, dass man die Kompetenzen und die Verankerung der Sozialpartner im Rahmen eines grösseren Gremiums, eben ungefähr 40, dass man das so belässt, das ist für die Suva sehr wichtig. Wir brauchen diese breite Abstützung. Nur so haben wir genügend Akzeptanz, dieses System aufrecht zu erhalten. Was hingegen schon wichtig ist, ist, dass man den Verwaltungsausschuss und dann auch die Zusammenarbeit mit der Geschäftsleitung, dass man das vertieft regelt und nach moderner Corporate Governance auch durchspielt, und dass der Verwaltungsrat in Bezug auf Strategie, in Bezug auf Wahl/Abwahl der Geschäftsleitungsmitglieder, in Bezug auf die organisatorische Ausgestaltung usw. mehr Kompetenzen erhält und schneller reagieren oder agieren kann.

The reconsideration of the corporate governance structure and the future adaptations were mainly accelerated by the real estate scandal, which can be seen as a kind of wake-up call not only for Suva, but also for the Federal Government and the social partners with regard to the corporate governance systems applied. At the time of investigation the transparency and data availability regarding the board set up and the characteristics of the individual board members was significantly low. A large amount of data (e.g. curriculum vitae and personal backgrounds) was only achieved by other sources (e.g. internet, who is who) than by the Suva public or internal documentations. Although some board members of the full assembly with only very limited background data remained. Due to this very specific board set up we will in the following distinguish between the characteristics of the full assembly (38 members) and of the board commission (8 members) in order to provide comparable results to the case studies of Swisscom and Swiss Re. The basic characteristics of board composition regarding the direct and indirect representation of stakeholders can be summarized and illustrated by the following figure:

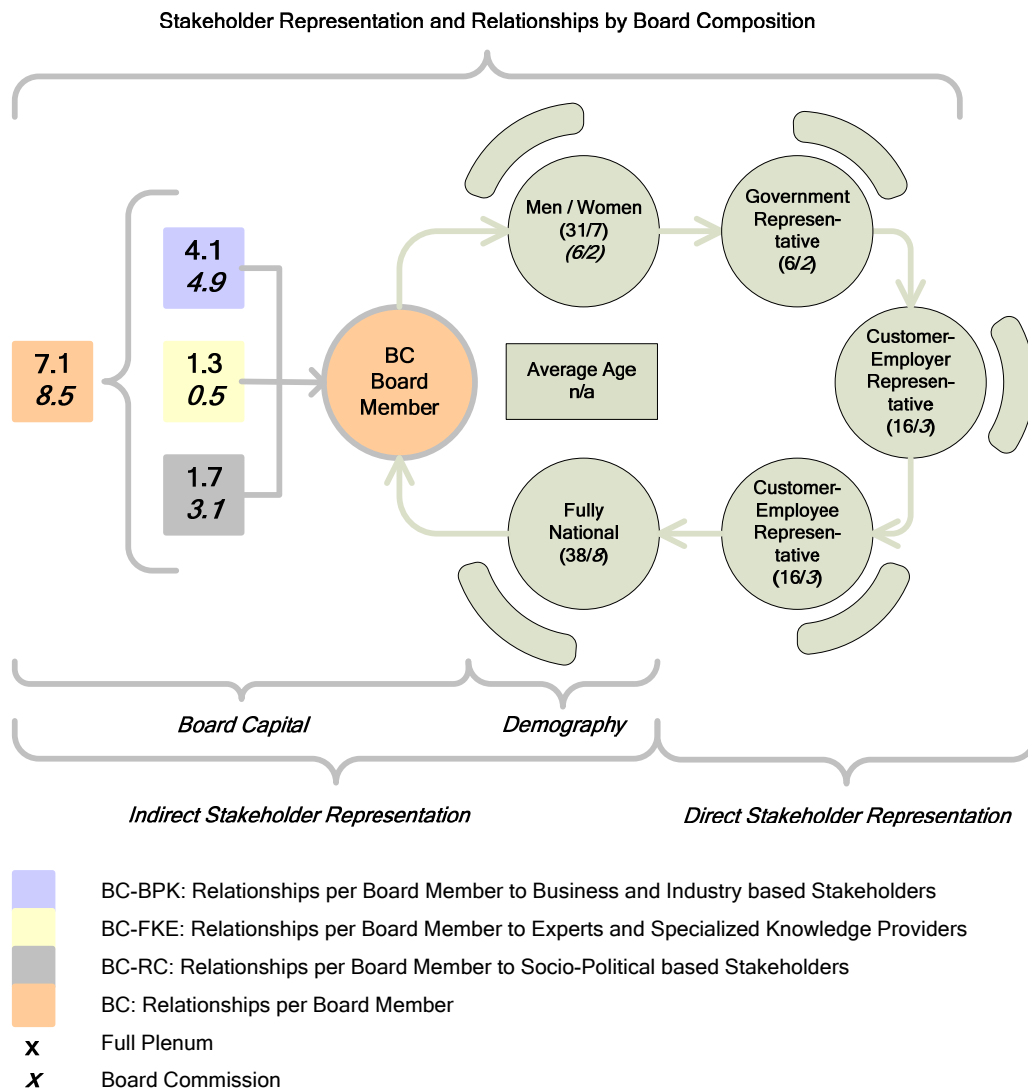


Figure 60: Suva – Stakeholder Representation by Board Composition.

Direct Stakeholder Representation by Board Composition

Both the social partners and the Swiss confederation as the external bodies responsible for Suva are **directly represented** on the board of directors. Suva's board composition therefore has a distinct emphasis on social partnership by representing sixteen members from the ranks of employees (of insured companies) and the same number representing employers (of insured companies), as well as six representatives of the Swiss federal government, on the board of directors. Suva therefore directly represents the customers (by 32 members) as well as the regulator (by 6 members) on its board of directors in full assembly. Based on these strong business relationships of the individual board members with Suva, established by the direct representation of the customers, the board can not be regarded as independent and was therefore often

criticized to neglect good practices in corporate governance (especially after the real estate crisis).

Although, as formerly noted, the full board has to be understood similar to a general assembly of a publicly traded company but with a higher interaction frequency and ability to influence the decision making process of the company.

Also eben, es ist wichtig, aber das wissen Sie auch schon, diese vierzig sind eigentlich keine Verwaltungsräte. Das war, soweit ich es wahrnehmen konnte seit ich hier war, mehr eine Delegiertenversammlung, Generalversammlung kann man nicht sagen. Und die Suva wird eigentlich von diesen sieben Verwaltungsräten geführt, das ist der Ausschuss. Das war bis anhin der eigentliche Verwaltungsrat.

Gut, der Unterschied bei uns ist, dass dieser Aufsichtsrat ja eine gewisse Funktion der Generalversammlung hat, übersetzt. Wir haben ja dann den Verwaltungsausschuss noch. Der hat die wirklichen Funktionen des eigentlichen Verwaltungsrates dieser OR-konstituierten Gesellschaft. Und man weiss ja jetzt auf Grund der Erfahrungen, dass einfach die Nomenklatur für die heutige Bevölkerung und Opinion Leaders nicht mehr ganz verständlich ist. Was ist jetzt bei der Suva Verwaltungsrat, was macht der Ausschuss? Das will man ja eben auch ändern.

The so called “board commission“, which is the pre-consultative committee for all board businesses, therefore mainly decides on strategic issues and directly supervises Suva’s operations. It is therefore the real board of directors and can more adequately be compared with the boards of Swisscom and Swiss Re. The board commission is also fully comprised of direct stakeholder representatives: two governmental representatives (Despland, B. and Steinegger, F.), three customer-employer representatives (Daum, T., Gfeller, K. and Nussbaumer, J.) as well as by three customer-employee representatives (Carrupt, A., Haas, M. and Nova, C.). Similar to the full plenum of the board the board commission thereby gives a higher emphasize to the direct customer representation than to the direct governmental representation. Customers can therefore be seen as stakeholders of highest priority regarding the direct representation of stakeholders by board composition and therefore have a high influence on the decision making processes as well as on the monitoring of managerial and corporate activity. Due to their specific interest on the one hand as premium payer (customer-employer) and as current or potential benefit receiver (customer-employee) their main focus in monitoring is based on financial sustainability (customer-employer) and the quality as well as continuous improvement of service (customer-employee). As both targets are sometimes diverging the balanced representation of these two diverging customer segments seems to be adequate in the case of Suva.

Aber wir haben auch solche (Verwaltungsräte), die uns auf die Finger schauen vom Geld her und sagen, der Betrieb darf möglichst wenig kosten. Sie profitieren nicht davon aber sie haben tiefere Prämien. Unsere Leute, also unser Verwaltungsräte, die ja auch die Branchen vertreten, die können ja mitreden wie hoch die Prämien sein sollen. Das können sie in keiner Privatversicherung. Wenn sie in einer Privatversicherung versichert sind, dann entscheidet der Verwaltungsrat der Privatversicherung wie hoch

die Prämien sind. Da haben sie kein Mitspracherecht, da haben sie nichts zu bestellen.
(...)

Indirect Stakeholder Representation by Board Composition

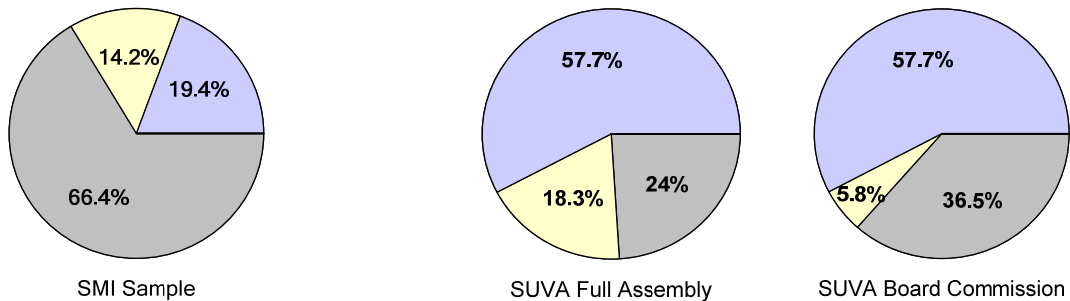


Figure 61: Suva – Indirect Stakeholder Representation by Board Composition.

Indirect Stakeholder Representation by Demography

Compared to the companies in the SMI analysis Suva has a high number of **female board members** applied by board composition in full plenum (7 of 38 board members, 18.4%) but especially in the board commission (2 of 8 board members, 25%). In full plenum one woman directly represents the legislator; two women represent the customer-employer while four women represent the customer employee stakeholders. In the board commission the two female board members represent the legislator and the customer-employee while the direct representation of the customer-employer is fully comprised of men. By adding at least one woman in each dimension in full plenum as well as by the high ratio of female board member representation on the boards we assume that Suva benefits from positive effects by this gender related board heterogeneity. Furthermore due to the high commitment to the Swiss society at large as well as to its employees and customers it seems to be relevant to reflect the female work force in the company and customer segments in order to evaluate the specific customer needs and gender related product innovations. Additionally and in correspondence to the findings from the Swisscom case, the inclusion of women on the board of directors' level seems to be especially important for Suva in order to guaranty an equal treatment of women and men based on the strong influence and monitoring by the Swiss government. In order to reach these goals and enhance the benefits of female work force on board level Suva provides specialized advancement training programs for women and strives for a continuous enhancement of the women ratio on management and board level.

Die Suva will das Potenzial ihrer Mitarbeiterinnen optimal nutzen und auch für Frauen mit Karriereabsichten eine attraktive Arbeitgeberin sein. Deshalb hat sie im Sommer 2003 ein Mentoring-Programm gestartet, das zum Ziel hat, die Chancengleichheit zu fördern und den Frauenanteil im Führungskader bis 2005 auf 15 Prozent zu erhöhen. Ausgewählte Mitarbeiterinnen erhalten während eines Jahres die Unterstützung einer erfahrenen Führungsperson, um ihre berufliche Entwicklung gezielt zu fördern. Die ersten acht Absolventinnen haben das Programm Mitte letzten

Jahres erfolgreich beendet, die zweite Gruppe ist gestartet. Der Frauenanteil im Kader konnte 2004 von 13,5 auf 14,5 Prozent erhöht werden.

Geschäftsbericht 2004

Though the ratio of female board members is valued as relatively high, interview partners state that in top-management levels the women workforce is nearly not existent and thereby influences corporate culture. Suva therefore seems to be conscious about the benefit potential of women on board level regarding their ability to signal a female role model to other women in the labour market (external signalling) or provide mentoring to employed women in management positions (internal signalling), in order to continuously increase the ratio of women on top management level.

Es ist auch eine sehr Herren-orientierte Gesellschaft. Es gibt keine Bereichsleiterin im ganzen Unternehmen. Es ist wirklich unglaublich. Es gibt keine Agenturleiterin. Und das ist eine Kultur, die prägt.

Although further dimensions of heterogeneity in demographic variables are either not stated (e.g. **age of the board members**) or focused upon homogeneity in board composition (e.g. **nationality**). Thereby the Suva board (in plenum and in board commission) is fully comprised of board members with Swiss nationality. This finding can be explained by the strong relatedness and solidarity with the Swiss society, the Swiss Federal Council and its Swiss customers. It reflects the strong anchorage in the political, industrial and social development of the country and helped to build up the specific self understanding of the enterprise as national, social institution. Although we would assume that foreign board members could add new and innovative ideas and strategies as well as business related experience from other companies in similar but foreign markets to the board of directors this single focus on board members with Swiss nationality provides a strong internal (e.g. Swiss culture) and external signal (e.g. anchorage in Swiss Society).

Indirect Stakeholder Representation of Company, Business and Industry based Stakeholders

None of the Board members has gained **firm-specific knowledge**. This does not seem to be astonishing due to the fact that the board members are composed by customers of Suva which are representatives of the ensured employers and employees mainly from the second industry sector and therefore not directly related to the business of Suva.

Based on the **general business knowledge** the table shows that Suva does not gains overwhelming industry knowledge (63/38) by board composition in relation to the number of board members of the full assembly. Overall each board member thereby provides only 1.7 linkages to stakeholders in the business and industry environment of Suva. 25 of the 63 linkages are provided by members of the board commission and therefore the board commission provides a higher ratio of stakeholder relationships to the business and industry based stakeholders (3.1 linkages per board member) than the full assembly, either because the board members of the board commission were carefully chosen from the full assembly or the transparency of the data provided was much higher. Especially Steinegger, F. (representative of the legislator) was

outperforming the further board members by 13 relationships to stakeholders in the HC_BPK dimension.

In full assembly, the focus of industry knowledge and expertise of the Suva Board members can be seen in the services (law, consulting and educational) industry (Services,15), the construction and manufacturing industry (Tech,13) and in governmental business (Gov,10). The board commission is focused on the same dimensions (5 hits in each dimension) but furthermore stresses the importance of Media and Banking relationships (3 hits in each dimension). Strong industry knowledge is included by the employer representatives in the construction and manufacturing sector (Tech, 9) which is related to the background of the representatives in this customer segment as well as by the focus of Suva to provide services mainly in the second industry segment. Furthermore the especially strong focus of knowledge in the governmental industry sector by the employer and employee representatives whereas the governmental representatives show up no relation to the governmental business seems to be remarkable. This circumstance is forced by the regulator who is responsible for the nomination of the full board assembly. From the Federal Council's point of view, the governmental representatives should be nominated in order to provide the company with expert knowledge and specific skills and expertise by the board members, whereas the employer and employee representatives should not only represent the customer but also the variety of the Swiss society and the political landscape. The high expertise of the governmental representatives can be shown not only by their title but also by their overwhelming industry knowledge (62/6) in comparison to the employer (59/16) and employee (44/16) representatives. The representatives of the legislator thereby can be seen as relatively independent knowledge and expertise providers.

Ja, es (Bundesvertreter) sind eigentlich die unabhängigsten.[...]

This also leads to the finding that although the direct representation of the legislator as well as the relatively high relationship ratio to stakeholders in the governmental segment should open up sufficient communication channels, Suva needed to establish a separate division for regulatory and public affairs in order to actively manage regulatory issues.

Wir hatten früher eine Art Lobbying, das [auf bestehenden Beziehungen] aufgebaut wurde, weil wir mindestens abklären wollten, ob wir in der Krankenversicherung einsteigen sollten und von daher die gesetzliche Legitimation, also die Erlaubnis, erhalten sollten. Wir haben dann aus eigener Erkenntnis von diesem Projekt Abstand genommen und haben dann auch dieses Lobbying abgebrochen. (...) Es war dann so, dass man sich erst später überlegt hat, man sollte vielleicht in Bern jemanden stationiert haben, der sich wirklich um die Beziehungen zu Politikern / Parlamentariern bemüht.

Indirect Stakeholder Representation by Resource and Knowledge based Stakeholders

The analysis of the **educational knowledge** of the Suva board members did not lead to any concluding findings due to the lack of biographical information regarding some

board members. The table only shows a slight tendency supporting the above mentioned insight that regulatory representatives are chosen due to their specific knowledge, expertise and skills. The table shows a higher ratio of educational knowledge of the governmental representatives compared to the employee or the employer representatives.

Aber es ist auch so, dass man von dort her [Bundesvertreter] versucht, Fach-Know-how einzubringen von gewissen Fakultäten, sage ich jetzt mal, die dann eben von Arbeitgeber-, Arbeitnehmerseite weniger vorhanden sind. Traditionell ist immer ein Versicherungsmathematiker in dieser Vertretung. Dann ist ein Chefarzt, der mit Unfallmedizin etwas zu tun hat oder mit Chirurgie, darin vertreten. Oder wir haben einen Sozialversicherungsspezialisten, der da vertreten ist, so dass dieses Know-how eben im Spezialistenwissen etwas abgerundet ist. Und normalerweise kommt auch der Präsident aus dieser Gruppe. Und seit Gründung interessanterweise, seit Gründung dieser Suva war es immer ein FDP Präsident, der die Suva da vertreten hat.

The analysis of the **business practice knowledge** of the board members shows that employer representatives nearly all have a current or former management position. The employer board members are representing the top-management of the insured company and are therefore adequately chosen by the regulator. Governmental representatives again show a strong business expertise by a high number of management positions and business experience in legal issues. Due to the lack of biographical data the customer-employee business practice can not be sufficiently evaluated.

Suva has a relatively strong **board process knowledge** ratio (52/38), which is highly influenced by the former or current board nominations and board process expertise of the employee representatives (22/16) and the governmental representatives (20/16). Although one would have expected that the expert role of the governmental representatives will exceed the employee representative's ratio of experience, but the governmental board process ratio is only overcoming the employee ration due to Steinegger, F, who has gained experiences in 17 former and current mandates.

Indirect Stakeholder Representation by Socio-Political based Stakeholders

The **indirect stakeholder representation of socio-political stakeholders** (BC_RC) by the Suva board of directors was evaluated by the memberships and engagement of the individual board members as stated in the biographical data provided by the company or as found in other publicly available data sources. Again, regarding the transparency and availability of the data for Suva board members is limited. Although, in comparison to the full SMI sample Suva states with 4.1 relationships per board member by full assembly and 4.9 relationships to stakeholders in its socio-political environment by board commission a relatively high ratio (Suva would be ranked 3 in the SMI sample). Additionally, the company specific importance of this dimension (48.7%, 157 of 322 hits) is in comparison with the importance given by the full sample of all SMI companies (19.4%) outperforming in this dimension. In the following we will analyze the sub dimensions of the BC_RC code tree in more detail in order to evaluate which factors in this dimension are of special importance to Suva due to its specific

situational and contextual variables. The following insights can be made due to the analysis of data:

- Overall, compared to other companies in the SMI sample and in the case study analysis the indirect stakeholder relationships of Swisscom based on the individual relationships of each board member seem to be well distributed (high heterogeneity 12 of 12 dimensions covered, only two dimensions are single hits). Overall and in full assembly the Suva board of directors thereby opens up strong linkages to Political and Governmental Institutions (43 hits), to Unions (21 hits), Economical (24 hits) and Community (13 hits) Institutions.
- Each stakeholder category directly represented on the Suva board thereby opens up specific linkages to socio-political stakeholders outperforming other board members: The customer-employer segment is strongly interconnected with Economical institutions (21 of 24 hits); the customer-employee segment provides a high number of relationships to Unions (19 of 21 hits) whereas the representatives of the legislator have no clear focus but a balanced amount of relationships to the highest ranking dimensions as formerly stated.
- The highest number of ties per board member to stakeholders in the socio-political environment can be found by the representatives of the customer-employees and the government (both 4.3 linkages per board member). Especially outperforming by personal relationships are Schilliger, P in the customer-employer segment (14 hits); Rennwald, J in the customer-employee segment (15 hits) and Steinegger, F. in the legislator segment (11 hits).
- Female board members provide 29 of the 157 linkages to socio-political stakeholders (18.5%, 4.1 relationships per board member) equal to the ratio of relationships provided by men.
- The board commission provides 39 of the 157 linkages to socio-political stakeholders (24.8%, 4.9 relationships per board member) equal to the ratio of relationships provided by the full assembly.

8.4.5 Stakeholder Representation by Board Structure of Suva

The following picture illustrates the corporate governance system and board structure established by Suva.

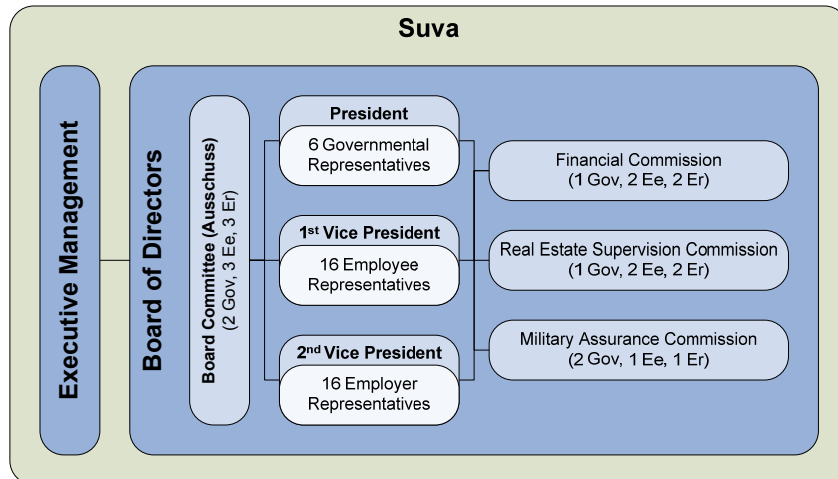


Figure 62: Suva – Board Structure.

The board of directors establishes three standing committees, the Financial Commission, the Real Estate Supervision Commission and the Military Assurance Commission. Therefore Suva has applied only one traditional standing committee while the other committees serve special functions regarding business activities and responsibilities of Suva. Thereby it seems to be interesting to mention that both committees were built up due to specific events that negatively influenced the image of Suva in the past. The establishment of these specialized committees regarding critical business activities of Suva thereby may be influenced by the government in order to provide better monitoring and control of these activities in the future. In the following we will analyze how Suva included direct and indirect stakeholder representation into their board structure in order to analyze the importance given to the input from these relationships.

- The committees are composed due to the specific skills, knowledge and expertise of the board members.
- In all committees established by Suva a balanced representation of the stakeholders can be evaluated (1 governmental representative, 2 customer employee and customer employer representatives). However the legislator takes a stronger representation in the military assurance commission.

Further Implications

Although Suva is conscious about the relationship potential provided by the direct and indirect representation of stakeholders through board composition it seems to shift the management of stakeholder relationships to the top-management and CEO of the company as well as to specialized corporate institutions. Furthermore by a computer supported evaluation of the current and potential stakeholder network a systematic stakeholder management seems to be applied.

„Das partnerschaftliche Beziehungsnetz wird insbesondere durch die Geschäftsleitung und durch die Agentur- und Abteilungsleiter aufgebaut und gepflegt. Beispiele sind: Kontakte zu Politikern und Wirtschaftsvertretern in Service- Clubs, Gewerbeverbänden, Handels- und

Industrievereinen. Das Beziehungsnetz wird in einer Lotus Notes-Datenbank dokumentiert und fortlaufend aktualisiert.“

Sebe05_01

The decision to establish a public affairs department was thereby based on negative experiences in relying on governmental relationships solely through the board of directors. The public affairs department thus supports the systematic monitoring of governmental relationships and is directly linked to the board of directors.

„Mit der Gruppe Public Affairs (GPA) wurde das Monitoring im politischen Umfeld weiter verbessert. Durch die GPA konnte die Überwachung der laufenden Gesetzgebungsverfahren systematisiert und verbessert werden. Die Aktivitäten im Bereich Public Affairs (Lobbying) können zielgerichteter und erfolgreicher als früher initiiert werden.“

Sebe05_01

„Public Affairs betrifft hauptsächlich die Kontakte mit Politikern, mit Behörden, mit Bundesbehörden und auch mit der Oberaufsicht auf der einen Seite, und ist gleichzeitig auch eine Schlüsselstelle. Sie ist bei uns im Generalsekretariat, was eine Schlüsselstellenverbindung zum Verwaltungsrat bedeutet. Im Verwaltungsrat, so wie er bei der Suva besteht, ist mit dieser tripartiten Besetzung ja auch impliziert, dass auch politische Kontakte bestehen. Darum ist es auch wichtig, dass im Zusammenhang mit dem Generalsekretariat und mit Public Affairs zu erwähnen.“

[Interview partner]

8.5 Summary of the Findings Suva

In comparison with the former evaluated ranking of stakeholders with strategic importance for Suva the analysis of the stakeholder representation by board composition can be illustrated by the following table and will be briefly summarized in the succeeding paragraphs:

Swisscom								
STH Types	Frequencies from Document and Interview				Indirect Representation			
	D	I	Total	R	DR	IDR_BR	IDR_ER	IDR_SPR
Customers	68	55	123	1	x	Technology (6/86 Hits, 9%)	(-)	Economical Inst. (6/37 Hits, 16%)
Employees	40	39	79	2	(-)	(-)	(-)	Unions (6/37 Hits, 16%)
Experts (e.g. Lawyers; Physicians)	13	39	52	3	(-)	Service (6/86 Hits, 9%)	Legal (4/15 Hits, 27%)	(-)
Regulator/ Government/ Politics	18	24	42	4	x	Governmental (10/86 Hits, 15%)	(-)	Reg&Pol Inst. (6/37 Hits, 16%)
Industry, Business and Social Partners	4	37	41	5	(x)	(-)	(-)	Community Inst (6/37 Hits, 16%)

Table 35: Suva – Comparison of Stakeholder Importance and Representation

- Suva has its most important stakeholder group, the **customer** (employer and employee customers, rank 1) and **regulator** (rank 2), directly represented on the board of directors level (in full plenum and in board commission) and has in addition to this direct representation high ratios of indirect relationships to these stakeholder groups applied.
- Although the **employee** is mentioned in interviews and documents as an important stakeholder (rank 2) with increasing importance in future, he is neither stated as directly and only weakly indirectly represented by the board of director's stakeholder relationships or individual board member characteristics. The employee therefore does not seem to be directly included by board composition into the decision making processes of the board.
- Furthermore **experts** (e.g. physicians) are perceived to have a high influence on the wealth creation processes of Suva but are not directly represented by board composition. As stated by the interviewees the inclusion of expert knowledge by board composition thereby could add valuable insights and new strategic opportunities as well as a general higher professionalism in order to perform monitoring and strategic guidance.
- The **industry, business and social partners** as stakeholder group of fifth priority are not well established on the Suva board of directors. Neither by direct representation nor by indirect representation (as figured out by the HC_BPK coding)

8.6 The Swiss Re Case

The Swiss Reinsurance Company (Swiss Re group) is one of the world's leading and financially strongest reinsurers with roughly 9'000 employees. The principal activity of Swiss Re is the provision of traditional reinsurance services for corporate clients in the two segments of property and casualty as well as life and health. Swiss Re was founded 1863 by the Helvetia General Insurance Company in St. Gallen, the Schweizerische Kreditanstalt (Credit Suisse) in Zurich and the Basler Handelsbank in Basel in order to offer a solution for the reinsurance of a new category of social and environmental risks arising (e.g. the repeated occurrence of major fires). Due to the industrial revolution of 1870 Swiss Re took a continuous positive development and also after the Second World War it experienced a time of growth without brakes. By acquisitions (e.g. GE Insurance Solutions in 2006), the enterprise grew to the world's largest reinsurer and now operates in more than 30 countries. The significantly increasing number of natural catastrophes and regulative changes in the insurance and financial services industry led to the diversification of Swiss Re's activities (Life & Health, Property & Casualty as well as Financial services) and its development from a solely reinsurance business to a knowledge-based organization in order to stand new challenges and risks. Swiss Re has thereby repeatedly responded in a proactive manner to new economic and environmental trends, developing the requisite resources to gain or sustain a competitive advantage. Sustainable business development is thereby an important element of the Swiss Re strategy. By its internet presence Swiss Re states:

Sustainability is an important subject for a reinsurer. Unsustainable trends threatening natural resources and social coherence are likely to create new risks and thus raise the loss potential for the insurance industry. At the same time, the need for new types of insurance cover and the rise of socially investment also create new business opportunities

[www.swissre.com].

Swiss Re's stakeholder sustainability focus therefore includes a variety of initiatives not necessarily limited to strategic business activities or direct organisational interests but focused on a proactive attentiveness of stakeholder and sustainability concerns in its business, social and environmental domain. The following table provides an overview on the general company characteristics of Swiss Re.

	Swiss Re Schweizerische Rückversicherungsgesellschaft AG
Industry	Financial Services (Reinsurance Industry) Service Industry
Geographical Focus	Multinational Focus
Foundation	1863
Shares and Listing	SWX traded 58,43 % of shares by institutional investors No cross shareholdings
Employees	8'882

Revenue	CHF 1'451 Mio.
Sales	CHF 27'779 Mio.
Size (relative to Cases)	Medium
Regulation	High (Relative to Cases: Low)
Markets	Established Market (Largest Competitor) (medium competition)
Orientation	Knowledge and Financial Capital

Table 36: Swiss Re – Case Overview.

8.6.1 Data Analysis of Swiss Re

The following results and insights of the Swiss Re case study are based on the analysis of 20 external accessible and / or internal documents and on 21 interviews conducted with the former and current CEO, members of top management, divisional heads and staff members of the different business groups in Europe, the US and Asia. Appendix A.1.1 and A.1.2 provides an overview on the documents coded and the company representatives interviewed at Swiss Re.

The following subsections will outline the key findings from the document and interview analysis regarding first, the general stakeholder orientation and importance of specific stakeholder groups for Swiss Re as well as their development over time. And second, the corporate governance system and structures of Swiss Re. The analysis of the general stakeholder importance will in the following support the analysis of the board of director's composition in order to evaluate if the nomination of board members is related to the company's stakeholder orientation. Accordingly, by analyzing the corporate governance system of Swiss Re the interaction processes and instruments for building up and maintaining relationships with strategic stakeholders in order to create wealth by the reduction of risks or the generation of specific benefits can be illustrated and further explained by carefully chosen interview statements.

8.6.2 Stakeholder Orientation of Swiss Re

The stakeholder orientation of Swiss Re is relatively high compared to other companies and Swiss Re has a long tradition of building positive relations with its strategic stakeholders. This has been supported mainly by the nature of the reinsurance business, which demands stable, outstanding services over the long term. Thereby Swiss Re views stakeholder relations for the most part in terms of their value creation potential as bearers or providers of risks and benefits. Shareholder/investors, employees and clients are Swiss Re's traditional strategic stakeholders, while regulators and analysts are regarded as important stakeholders in the future. The following table will shortly outline the key characteristics regarding the stakeholder management of Swiss Re due to its key stakeholders.

The ranking of the strategic stakeholders in the mindset of Swiss Re seems to be important for the further analysis, assuming, that the set-up of the corporate

governance system and structure as well as the composition of board members is influenced by this mindset. Additionally by the analysis of the interviews the thesis tries to evaluate what kind of organizational structures, communication and interaction processes Swiss Re has established in order to maintain relationships with its strategically relevant stakeholders on the board of directors level.

Swiss Re						
Types	Description	Frequencies				
		Docs	Interviews	Total	%	R
Customers	Swiss Re views the client as the most relevant (most quoted in interview and document analysis) stakeholder. Thereby outstanding relationships with clients are seen by most interview partners as being the precondition for sustained economic success. Therefore these stakeholders are viewed as being knowledgeable and benefit providers and Swiss Re makes high investments in customer satisfaction and services in order to maintain and develop these resources.	58	56	114	27.60	1
Employees	Swiss Re's employees have extremely different backgrounds, which has an impact on the companies' corporate culture and supports its innovative focus. From the point of view of its business, Swiss Re is a knowledge oriented company and therefore sustainable employee relations are a key strategic factor. Swiss Re heavily invests into the firm-specific knowledge of their insurance specialists (e.g. investment in employee development, social institutions, incentive systems, human-oriented culture, and cooperative spirit) and aims at a long term commitment of these employees to enhance benefits from this specific investment. Swiss Re therefore clearly considers its employees to be a resource, a provider of key knowledge and benefits and not a cost factor.	39	33	72	17.43	2
Shareholders / Investors	In reinsurance business, a sound capital foundation is mandatory. One serious problem is the fact that investors are asking for an increasing amount of financial reporting and success over the short term, even though reinsurance business is a long-term business. This challenges the way in which investor relationships are handled and requires a company to make a continuous effort to clarify and meet the demands of its investors. The emerging importance of socially responsible investment (SRI) and the fact that institutional investors (such as pension funds) in future will be more interested in the long-term view of shareholder value underlines the need for Swiss Re to carefully identify the relevant investors and shareholder groups. This will ensure that the company sustains a sound and stable capital foundation.	25	44	69	16.71	3
Stakeholders (general)	Swiss Re has a long tradition of building positive relations with its strategic stakeholders. This has been supported mainly by the nature of the reinsurance business, which demands stable, outstanding services over the long term. A stakeholder focus has for the most part already been factored into the company's strategic management process, although it does not seem to be consciously reflected. Moreover, stakeholders have so far only been systematically identified and evaluated in specific areas (e.g. investor relations, client relations).	31	20	51	12.35	4
Regulator/ Government/Politics	Those interviewed often also quoted regulators (governments and political institutions) as being strategically relevant stakeholders given the expected regulations in the industry	8	19	27	6.54	5

Table 37: Swiss Re – Stakeholder Ranking and Importance.

8.6.3 Corporate Governance System and Structures of Swiss Re

The following sections will outline the remarkable characteristics of the Swiss Re Corporate Governance System.

Compliance

Swiss Re is committed to meeting the highest standards of corporate governance and measures its corporate governance primarily against the Swiss Code of Best Practice for Corporate Governance. As a publicly listed company Swiss Re is also subject to the Directive on Information relating to Corporate Governance and its Annex and Commentary, issued by SWX Swiss Exchange and additionally complies with the applicable local rules and regulations of all the countries in which it does business. Furthermore Swiss Re shows a highly proactive behavior to developments in its business and social-political environment based on its core competence to evaluate and measure future risks. With regard to the corporate governance discussion Swiss Re is thereby aware of upcoming issues or regulations and seems to be prepared but has not yet changed its governance system in terms of self-regulation. This assumption is based on the following statement of an interview partner:

I believe that the main development that we still have to undergo comprises the internal monitoring processes, which are required by the Sarbanes Oxley Act, and which I regard as very good - that is to say, the hierarchies and information flows that make it possible to meet the corporate governance requirements in the first place. We still have some very hard work to do in this area. Also, there is a fundamental tendency in financial reporting and disclosure which I believe will bring some very major changes to life at Swiss Re in the next five to ten years. This is the transition to fair value accounting, whatever form it may take, and then there are the additional disclosures on valuation. The third aspect is information about the risk. This will be increasing all the time, and after a few years, both insurance companies and banks will be giving out information about their risk management, how it is structured and what results emerge from it. This will lead to another massive increase in transparency in the insurance sector. The main trend is now coming from this direction [...] 'look forward'."

Corporate Governance Understanding

Swiss Re has the broadest and most stakeholder oriented corporate governance understanding applied (compared to SMI analysis and case study analysis). The definition was stimulated by the publication of the OECD Principles of Corporate Governance and resulted from the discussion on top management and board level on the importance of stakeholder relationships for the wealth creation of the company and as important drivers for business success. Thereby Swiss Re introduced an overarching corporate responsibility framework, based on its mission and core values, that summarizes corporate governance, corporate sustainability and corporate citizenship by taking the interdependencies between these three pillars of its corporate responsibility framework into account. Corporate governance is thereby understood as

[...] the framework comprising a company's organisation, structure, management and assurance functions. It is designed to ensure a corporation's transparency, protecting the interests of shareholders and creating value for all stakeholders.

[Swiss Re Corporate Responsibility Report 2006; p.65]

We simply cannot afford for any of our stakeholders – anywhere – to lose trust in the way we do business.

[Swiss Re Guiding Principles]

This stakeholder oriented corporate governance understanding was confirmed by the interview partners.

Well I see corporate governance as an exercise by the principal directors and the key executives delivering our promises and that we meet with the various stakeholder expectations. It is a control mechanism but at most it is an exercise by all fashioned techniques that are checking that the things we do are aligned with our stated policy, so we have to control on risks that we take and to control our behaviour [towards stakeholders].

Although some of the interview partners state a current shift in the focus from stakeholder orientation to the traditional monitoring and control function by the board of directors in the practice of corporate governance at Swiss Re due to negative experiences and events in the past.

[...] aber ich habe eigentlich eher den Eindruck, dass das Controlling wieder eine grössere Rolle spielt als früher, teilweise auch aus negativen Erfahrungen, weil man halt durch diesen schlechten Zyklus gegangen sind, und da ist relativ viel passiert, das vielleicht in einem besseren Zyklus und in einer kontrollierten Situation nicht passiert wäre [...]

Ja [die Aufgaben des Verwaltungsrates sind] schon eher auf der Controller Seite.

This increasing importance of the monitoring and control function may have influenced the composition of board members as further outlined in the following paragraphs. Supportive for a good monitoring and control function thereby seems to be the stated board independence of Swiss Re. Swiss Re requires a majority of the Board of Directors to be independent. To be considered as independent, a director may not be currently or formerly employed as an executive officer of the firm. In addition, the board member should not have a material relationship with any part of the Swiss Re Group (directly or as a partner, director or shareholder of an organization that has a material relationship with Swiss Re). Based on Swiss Re's independence criteria, ten of Swiss Re's thirteen board members qualify as independent. Walter B. Kielholz, Executive Vice Chairman, and John R. Coomber, who was former CEO of the company, can not be considered as independent under the applied criteria. As stated by Swiss Re in its Annual Report 2006, no further director has any significant business connection with Swiss Re or any of its Group companies.

The following table summarizes the key characteristics of the Swiss Re Corporate Governance System and the basic board characteristics relevant for the analysis of the board composition regarding the direct and indirect stakeholder representation.

	Swiss Re Schweizerische Rückversicherungsgesellschaft AG	
Board Size	Total number of Board Members	13
Direct Stakeholder Representation	No direct stakeholder representation	0
Board Composition	General Board Members	12
	Board Secretary	1
	Government (GOV)	0
	Employee (EE)	0
	Customer (C)	0
Board Structure	Board Committee (Ausschuss)	n/a
	Chairman	1
	Executive Vice Chairman	1
Board Committees	Number of Board Committees	4
	Audit Committee	s (5)
	Compensation Committee	s (4)
	Finance & Risk Committee	s (7)
	Governance Committee	s (6)

	Swiss Re Schweizerische Rückversicherungsgesellschaft AG	
CG Understanding	CG understanding - stakeholder & shareholder focus (CG framework including all stakeholders, corporate systems and processes)	
Compliance	complies with the applicable local rules and regulations of all the countries it does business	
	SWX CGRL	full
	Swiss Code of Best Practice	full
Board Independence	Independent Board Members	10
	no director has any significant business connection with Swiss Re or any of its Group companies	
	no personal overlap between chairman and CEO	
Board Tenure	years of duration	4
	(re-election possible) max. term	n/a
	age limit	70
Board Meetings		

Table 38: Swiss Re – Corporate Governance and Board Characteristics.

8.6.4 Stakeholder Representation by Board Composition of Swiss Re

Swiss Re is in the vanguard of developments in the corporate governance area (e.g. composition of the board of directors), meaning that its board members are required to take stakeholder concerns into account. With a total number of 13 board members Swiss Re has a rather big board. The relatively large board size (compared to the SMI sample and the companies in the case study analysis) opens up the opportunity to Swiss Re to include many stakeholder relationships and a high heterogeneity in expertise and knowledge to its board. Although as far as the role of stakeholders in corporate governance is concerned, we assume that shareholder representatives continue to predominate, while the potential of other stakeholders as knowledge providers is taken into account more indirectly via board members' personal and professional relationships or specialized board structure. In order to overcome the negative side effects of large boards the number of plenary sessions (about six regular one- or two-day annual plenary sessions extended by 4 extraordinary meetings to 10 full board sessions) is remarkably above the average for Swiss boards of directors (see SMI Analysis, chapter x). Thereby normally, the members of the Executive Committee attend the meetings of the board in an advisory capacity while the attendance at committee meetings is generally restricted to those members of executive management with the information and expertise required for the relevant committee to perform its duties (e.g. head group internal audit attends the sessions of the audit committees). The following figure illustrates the board composition of Swiss Re at the time of analysis. In the following we will outline the various aspects of stakeholder representation by the board composition of Swiss Re in correspondence to the former board analysis of Suva and Swisscom in order to provide comparable insights into the different aspects of board composition and structure and deepened insights on how the specific situational variables and the stakeholder orientation of the company shape the board of directors in its composition.

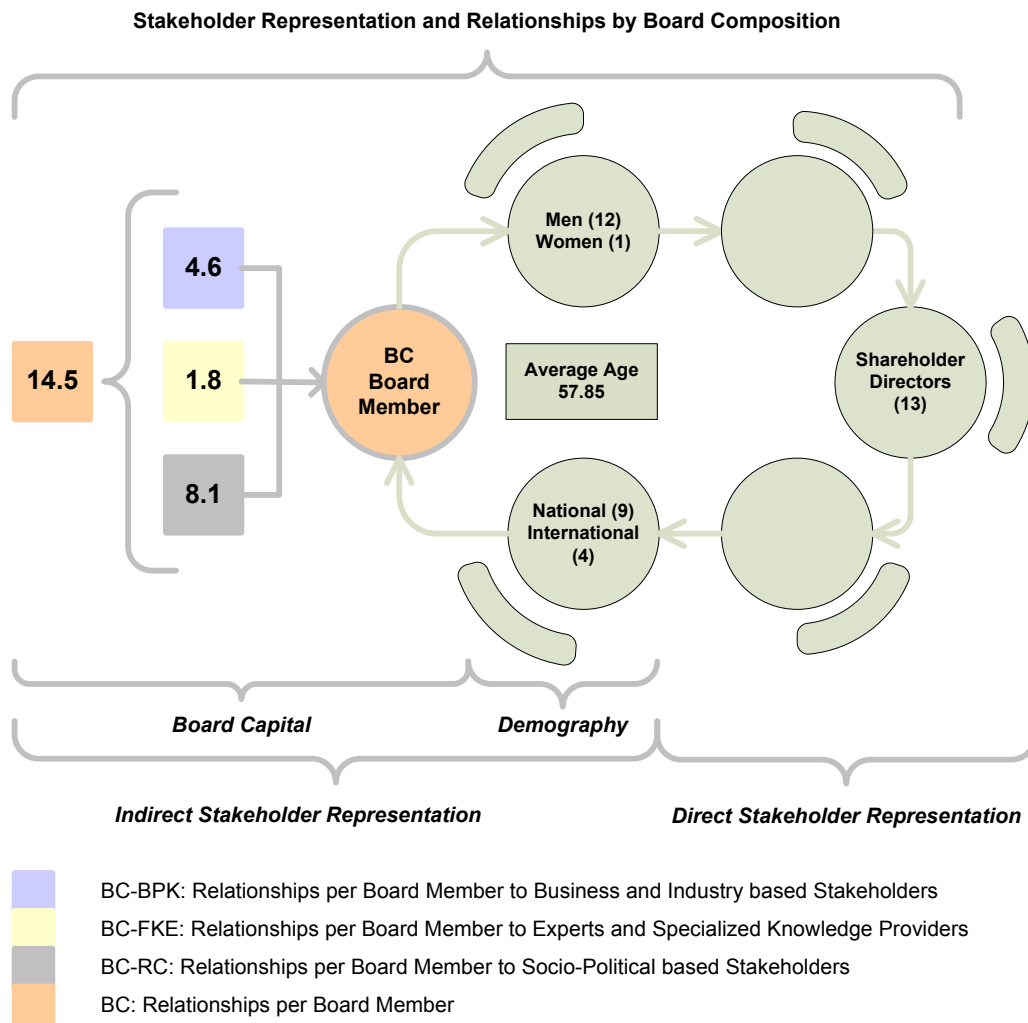


Figure 63: Swiss Re – Stakeholder Representation by Board Composition.

Direct Stakeholder Representation

Swiss Re has not stated any direct stakeholder representation of stakeholders (other than shareholder or owner representatives) by board composition. The question as to which stakeholders – in addition to shareholders – should be represented on the board is thereby not only a controversial subject discussed in corporate governance literature but also by the interview partners. Due to the high knowledge orientation of Swiss Re as well as its competence in the evaluation and measurement of upcoming risks the question arises as to what extent key knowledge contributors should be involved into the decision making processes of the board of directors. However especially the negative experience many companies made with the direct representation of employees on the board of directors as seen in the German Corporate Governance

model seem to hinder the consideration of direct stakeholder representation on the board of directors level as illustrated by the following statement:

I regard the German model as an absolute farce. It's first-class cabaret. If you could see what happens on their Supervisory Board, and who is at work there - of course, this also prevents decisions from being reached. But there is more influence from the works councils in Germany, and in actual fact that's a relatively good thing. [...] So my personal impression is that the composition of the Board of Directors should take account of individuals' abilities, and that also includes the stakeholders up to a certain point. One of them should perhaps come from the inside. Then he has a stakeholder role as an employee, allowing him to contribute the employees' perspective. Another should be a mathematician, so he has more of a risk perspective.

Although Swiss re has not a direct stakeholder orientation applied to its board it seems to be conscious about the possibilities of indirect stakeholder representation by the individual board members abilities, expertise, knowledge and personal relationships.

Indirect Stakeholder Representation

Indirect Stakeholder Representation by Demography

Swiss Re has a strong humanistic commitment to its employees and they perceive their knowledge as vital resource for the wealth creation process of the company and its core competence in managing capital and risk. Swiss Re thus constantly aims at being a good employer. As stated by personnel policy Swiss Re strives for the equal treatment of women and men in their working conditions and development.

The aim of the advancement of women, or gender mainstreaming, is to ensure that deliberate, fair and permanent account is taken of the needs of both sexes as a matter of course in business and personnel policy. Both women and men get their due. That is our aim

[SR topFitCompany]

However Swiss Re shows a rather low ratio in the representation of the female workforce by its board composition (1 of 13 board members). Although the influence of women on team mentality and corporate culture was not consistently stated by the interview partners in a positive way Swiss Re does not take the full advantage from the signalling effects (internal and external) by the representation of women on its board of directors.

Also ich denke das ist eine 150 jährige Tradition of understatement, man ist eine Rückversicherungsgesellschaft, [...] man arbeitet für Erstversicherungen sehr diskret [...] diese Diskretion will man wahren, diese ganz strenge Vertraulichkeit und das ist das Selbstverständnis, dieses Unternehmen hat sich so definiert. Ich meine die ersten, die das ein bisschen gelockert haben, das ist eine Carroll Franklin und eine Heidi Hutter gewesen, durch die das Frauen-Thema aufgekommen ist.

On the contrary Swiss Re is very conscious of the effects and advantages provided by the nationality board members. Thereby it seems to be relevant for Swiss Re to signal the relationship with Switzerland as home base by Swiss board members as well as to

highlight the importance of foreign markets its business actually takes place by international board members.

So, of course, people are not selected by a random procedure; you look at their nationalities first, at least, since our boards of directors ought to be international. [...] And then in this context, a question that has also been asked is: where does our business actually come from? That means that we need two or three Americans – otherwise we don't have that perspective on board at all. Nobody else can contribute it. And what happens if we have a problem in America? Who can give us sensible advice in that case? And then we have Europeans and Swiss, mathematicians and finance people, strategists and investment experts, and so on.

The representation of both nationalities thereby also influences the corporate culture, values and norms in order to harmonize the different corporate cultures (American and Swiss culture based on M&A or business focus) in the long term.

In every case, we took new cultures on board, with M&G Re and with the other companies that we acquired later on - Life Re, which is also in the life and health sector and Lincoln Re, which is life and health again. And of course, this has also led to changes in how we talk with our employees and how we think about management processes, as well as how we deal with our clients - that is to say, how we talk with them, and so on.

The average age of the board members does not seem to be highly relevant for the Swiss Re business and situational or contextual firm specific factors. Furthermore the average age of the Swiss Re board members range is in the average of the companies analyzed in the SMI sample. We thereby assume that Swiss Re does not consciously take the benefit potential of board members below or above the average into account. Furthermore in comparison to other companies the terms of directorship appointment is relatively long (4 years in principle) while the age limit is set to 70.

Indirect Stakeholder Representation of Company, Business and Industry based Stakeholders

Although Swiss Re has established a claim for a high degree of independence two of the board members have gained **firm-specific knowledge** based on current or former work experience in the Swiss Re Group. Walter B. Kielholz (3 hits), Executive Vice Chairman, and John R. Coomber (2 hits), who was former CEO of the company therefore provide firm-specific knowledge to the board of directors. By their former work experience these board members have knowledge on the history and former strategy, structure and culture of the company as well as open up relationships to internal stakeholders. This benefits the board by a better supply with information about the firm itself and about its competitive environment. Additionally firm-specific information is relevant to the process of ratifying and monitoring strategic decisions by a better opportunity to observe the senior manager and evaluate his or her decisions.

Ten board members gained business experience in the same industry (**industry knowledge**). Especially W. Kielholz and R. Coomber (10 hits each) and B. Scott (8 hits) thereby provide important business experience as well as knowledge and expertise of

the business and the business environment to the board of directors. Although due to the high number and degree of board members with business experience in the financial services industry (10/13) the relevance of the big linkers in the industry does not seem to be of high importance. We can therefore generally state that the Swiss Re board of directors is highly focused on knowledge and expertise in its industry which influences the nomination of board members and opens up strong linkages to stakeholders in the industry environment. Especially the channels of communication between companies in the same industry thereby provide valuable information on how other firms in the same industry deal with similar problems and concerns.

In comparison to other companies the **general business knowledge** applied to the Swiss Re board of directors seems to be relatively high (104 hits in dimension, see SMI data analysis for a more detailed comparison) and also states a high heterogeneity (11/13 dimensions covered) although the standard deviation is relatively high and the frequencies are focused mainly on three dimensions. On average each board member thereby opens up 8.0 linkages to stakeholders in the business environment of Swisscom. Overall the main focus on expertise and knowledge by business practice has been set on services (20 hits, 19%) and governmental (13 hits, 13%) institutions besides the importance of the financial services (51 hits, 49%) industry. Furthermore a strong focus has been set by individual board members to the pharmacy industry (5 linkages; Breu), the services industry (5 linkages; Forstmoser/Scott) and governmental (5 linkages; Villiger). Again, we can state that the female board member's industry ties range remarkably below the average of the male board member's industry ties.

The findings can be interpreted as follows:

- The high frequency of **governmental** business knowledge indicates that Swiss Re is aware of the importance of the government as important stakeholder and therefore nominates board members based on their former or current business knowledge and experiences in governmental institutions.
- In addition to this finding we can explain the high focus on board member knowledge and experience in **services** due to the strong relatedness of this dimension to the financial services industry as well as by the focus of Swiss Re to provide high quality service to its customers. The high importance of knowledge and experience in the services industry therefore sets important internal and external signals regarding the customer-orientation focus of Swiss Re.
- Further individual outperforming linkages and hits to various industries (e.g. pharmacy, automotive, energy) may be related to important customers, suppliers or further stakeholders in the business environment of the company but can not be clearly stated due to the lack in information provided.

Indirect Representation of Resource and Knowledge based Stakeholders

The analysis of the individual board members **business practice knowledge** shows that a strong focus is set on management experience of the board members (32 management positions over all board members, well distributed) as well as on business

practice in Finance (24, well distributed) and Law (11, outstanding P. Forstmoser provides 6 hits). Only one board member (Bechtler) has not stated any management position so far.

The **board process knowledge** of Swiss Re board members (68 hits, 5.2 board relationships by board members) seems to be high in comparison to other companies. It seems to be interesting to note that especially the employee (11; 6) and governmental (9) representatives are outperforming in this dimension.

The focus of **educational knowledge** in the board of directors is strongly connected with the core competences of Swiss Re. With a high heterogeneity (7 of 12 dimensions covered by at least one hit of a board member) on average each board member has 1.85 hits in educational knowledge. Highest importance is set on legal (6 hits, 25%) as well as business administration and finance (5 hits each, 21%) and therefore on supportive expert knowledge. Further expertise and knowledge is gained by experts in technology (3 hits, 13%), mathematics and economics (2 hits each, 8%). This strongly reflects the knowledge orientation of Swiss Re and opens up high relationships to experts and expert knowledge in the companies' environment.

Indirect Stakeholder Representation of Socio-Political Stakeholders

The **indirect stakeholder representation** of the Swiss Re board of directors was evaluated by the memberships and engagement of the individual board members as stated in the biographical data provided by the company or as found in other publicly available data sources. The following insights can be made due to the analysis of data:

- Overall, compared to other companies in the SMI sample and in the case study analysis the indirect stakeholder relationships of Swiss Re based on the individual relationships of each board member seem to be well distributed (high heterogeneity 9 of 12 dimensions covered) and high in number (60 hits in dimension). Thereby each board member opens up 4.62 linkages by his or hers stated memberships and affiliations to institutions and stakeholders in the socio-political environment of the company. By board composition Swiss Re thereby opens up strong linkages to Economic Institutions (13 hits, 22%), the Regulator (11 hits, 18%) and to Political and Governmental Institutions (6 hits, 10%). The highest importance is set on Educational institutions (14 hits, 23%) which strongly support its knowledge orientation.
- Swiss Re has a high number (10 hits, 17%) of highly regarded persons (e.g. by Title) or with relationships to important opinion leaders (e.g. with Celebrities) included in its board. This sets a strong signal to the environment and enhances the legitimacy of board decisions and actions taken by the company.
- The most ties to external and internal stakeholders can be found by Kielholz (10 hits), Villiger (9 hits) and Forstmoser / Scott (7 hits each) especially opening up relationships to the regulator and politics (Forstmoser / Villiger), economic institutions (Kielholz / Scott) and educational institutions (all).

8.6.5 Stakeholder Representation by Board Structure of Swiss Re

The following picture illustrates the corporate governance system and board structure established by Swiss Re.

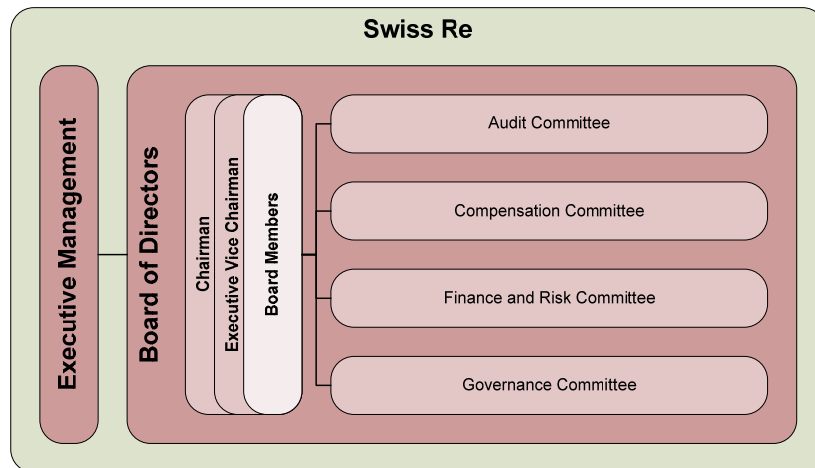


Figure 64: Swiss Re – Board Structure.

Specialized Committees

The board of directors of Swiss Re establishes 3 standing committees, dealing with the aspects of audit, finance and risk and governance, while 1 ad hoc committee is responsible for management appointments and remuneration. Therefore Swiss Re has applied one specialized committee that is concerned with questions of the governance in abroad understanding, which includes all concerns of compliance, sustainability and corporate social responsibility into account. In the following we will analyze how Swiss Re included direct and indirect stakeholder representation into their board structure in order to analyze the importance given to the input from these relationships.

And we started a massive strengthening of the processes for the Board of Directors at a relatively early stage, back in 1995/96. We introduced committee work, something that was totally lacking in other companies at that time. We introduced an Audit Committee, a Risk Committee, a Shareholder Relationship Committee, and so on. The Compensation Committee started working with these other committees. That led to very intensive cooperation between the Executive Board and the Board of Directors - everyone somewhere instead of everyone everywhere - and another result of this was that there were no colossal arguments if something happened to go wrong. In such cases, people couldn't say that they didn't know about it; instead, they had to say 'We decided on that together, and now it's gone wrong.' That's why I would say that for the last ten years, the Board of Directors has been working in a way that has never been perceived as putting pressure on the Executive Board. The board has been in very, very good shape because we have informed them openly about everything, because they can look into everything. Things were totally different ten years ago, when the board of

directors never even used to receive any documents; the agenda was only put on the table at the start of the meeting. That was the usual practice in those days.

Mechanisms for Stakeholder Participation

Swiss Re provides different mechanisms to allow stakeholder participation in corporate governance.

- Swiss Re offers two specific incentive programmes for its employees: an employee participation plan and a stock option plan. These incentive programmes were introduced in May 2001 and enjoyed a 70% take-up rate. By this programme, Swiss Re aims to encourage more employee ownership of its shares and to enable its workforce to participate in its wealth creation and distribution. Furthermore it aligns employees' interests with those of shareholders and investors and thereby supplements some of the reasons and rationale concerned with the direct representation of employees on corporate boards.

I think it's important to align employees' interest with that of shareholders by making sure that employees own a significant, fair amount of the company. You can do it either directly through stock ownership or stock options. We have our EPP plan in the US; in Switzerland I'm not sure what it is called; it's a different set of initials but... under it employees also take an ownership interest. And I think that's important because it shows the commitment of the employees to the company over the long term as well as the company's commitment to its employees, as the company grows; and as it company prospers, it will benefit not only shareholders but also employees. [...] But I'd actually like to see it go to all employees because I think it's important to say this is; you know, this is what we're working for, you know, our shareholders are with us and we should be with them.

8.7 Summary of the Findings Swiss Re

In comparison with the former evaluated ranking of stakeholders with strategic importance for Swiss Re the analysis of the stakeholder representation by board composition can be illustrated by the following table and will be briefly summarized in the succeeding paragraphs:

Swisscom								
STH Types	Frequencies from Document and Interview				Indirect Representation			
	D	I	Total	R	DR	IDR_BR	IDR_ER	IDR_SPR
Customers	58	56	114	1	x	Technology (6/86 Hits, 9%)	(-)	Economical Inst. (6/37 Hits, 16%)
Employees	39	33	72	2	(-)	(-)	(-)	Unions (6/37 Hits, 16%)
Shareholders / Investors	25	44	69	3	(-)	Service (6/86 Hits, 9%)	Legal (4/15 Hits, 27%)	(-)
Stakeholders (general)	31	20	51	4	x	Governmental (10/86 Hits, 15%)	(-)	Reg&Pol Inst. (6/37 Hits, 16%)

Regulator/ Government/ Politics	8	19	27	5	(x)	(-)	(-)	Community Inst (6/37 Hits, 16%)
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Table 39: Swiss Re – Comparison of Stakeholder Importance and Representation

- Swiss Re has no direct representation of stakeholders applied. Therefore the stakeholder orientation should be reflected by the indirect relationships of the board.
- Although the **employee** is mentioned in interviews and documents as an important stakeholder (rank 2) he is only weakly indirectly represented by the board of director's stakeholder relationships or individual board member characteristics. The employee therefore does not seem to be directly included by board composition into the decision making processes of the board.
- Although the **regulator** is only ranked as stakeholder of fifth priority he is strongly represented by indirect relationships of the board members.

8.8 Comparison of the Cases and Final Conclusions

This chapter served three main purposes. First it tried to evaluate the aspects and the rationality of direct stakeholder representation. Second, it evaluated the benefits provided to companies based on the direct or indirect stakeholder representation on corporate boards regarding the specific situational and contextual circumstances. Third, it analyzed if the implied direct or indirect stakeholder relationships of the companies were consciously taken into consideration by the companies by an analysis of the stakeholder representation in the board structure or if the company only gives a "token" position to the direct and indirect stakeholder relationships applied by board composition.

In the following we will summarize the insights related to these three main targets of the chapter.

Direct Representation of Stakeholders

Due to the fact that we evaluated by the SMI analysis only a single company that had applied a direct stakeholder representation to its board (Swisscom) we assumed the direct stakeholder representation to be related to a strongly regulated environment of the company and a high influence of the government on the set-up of corporate policies and institutions. Therefore a comparison of the three cases, Suva (fully state owned, high influence of the regulator and highly regulated by legislation), Swisscom (majority/partially state-owned, medium influence of the regulator and highly regulated by legislation) and Swiss Re (publicly traded, no influence of the regulator but highly regulated by legislation) seemed to be interesting regarding the perception of the interview partner towards direct stakeholder representation as well as by the ratio of directly represented stakeholders applied.

By the SMI and the Case study analysis in aggregation we can conclude that direct stakeholder representation was only evaluated in companies that are highly influenced by the government and / or firm specific legislation. Therefore in our cases the Suva

board is fully comprised of direct stakeholder representatives, the Swisscom board is comprised by three board members that are stated as direct representatives whereas Swiss Re has no direct stakeholder representation.

Regarding the nomination of the direct stakeholder representatives two possibilities showed up by the Case analysis:

- Thereby the Swiss Federal Council either has the right to delegate members of the board of directors representing specific stakeholder groups.
- Or
- The companies have to comply to company specific legislations based on governmental influence to nominate specific stakeholder groups on its board of directors by themselves.

The insights from the case studies thereby show up that direct stakeholder representatives delegated to corporate boards by the regulator are often carefully chosen and add valuable benefits by indirect stakeholder relationships to experts and expert knowledge to the focal board. Furthermore the Feder Council tries to adequately reflect the swiss society in its demographic heterogeneity by the nomination of board members. Boards that are fully or partly comprised of board members chosen by the regulator therefore show a higher degree in the representation of female board members or of board members that provide high relationship ratios to stakeholders from the socio political environment of the company.

In the Case study analysis we evaluated three stakeholder groups that were directly represented by the boards, the government and the employee (Swisscom), the government and the customers (Suva). By the corporate background as well as by the statements from interview partners we evaluated the following positive and negative effects associated with the direct representation of these stakeholder groups as outlined in the following table.

Direct Stakeholder Representation		
Government	Benefits (+) <i>(+) direct representation of majority shareholder provides financial security</i> <i>(+) provides communication channels and improves relationship to governmental and political constituencies</i> <i>(+) early adaptation or even proactive involvement into governmental decision making processes is more likely</i> <i>(+) increases the general ethical and sustainable wealth creation</i> <i>(+) strategic decisions are in line with the regulatory or public opinion</i>	Benefits (-) <i>(-) direct representation of a specific shareholder category does not comply with the shareholder equality policy</i> <i>(-) diverging interests of the company and the legislator in strategic decisions</i>
Employees	Benefits (+) <i>(+) provides communication channels and improves relationship to unions and employees</i> <i>(+) critical decisions regarding employment are implemented with lower opposition</i> <i>(+) swifter adaptation to new strategies, structures and culture</i> <i>(+) continuous knowledge and feedback on the concerns and needs of employees</i> <i>(+) leads to a progressive and socially responsible human resources policy</i>	Benefits (-)
Customers	Benefits (+)	Benefits (-)

CHAPTER 9

1

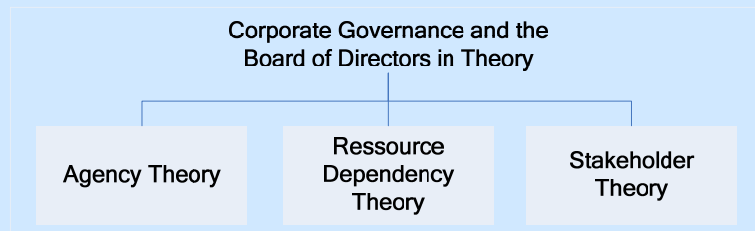
Introduction

2

Corporate Governance & the Board of Directors in Switzerland

3 & 4

Theoretical Background



5

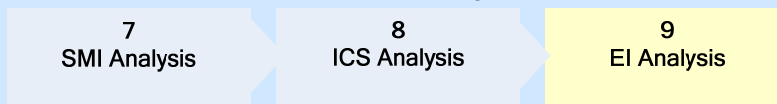
Framework of Analysis

6

Methodology

7-9

Empirical Analysis



10

Findings & Conclusions

9 EXPERT INTERVIEWS

Corporate Governance kommt ja von Cybernetes. Das kommt aus dem Griechischen und wenn sie in der Odyssee nachlesen, dann steht das genau für den Mann, der im Sturm auf dem Hinterdeck vom Mast erschlagen wurde. Und das gibt zu denken [...]

Prof. P. Nobel

9.1 Introduction

9.1.1 Goals of the Chapter

Based on the SMI Data analysis (chapter 7) and the case study analysis (chapter 8) the following chapter aims to reflect the findings and conclusions by an expert view. The conducted expert interviews thereby contribute valuable insights from different perspectives to the findings of the study.

9.1.2 Roadmap of the Chapter

The discussion of the findings is structured by the relevant dimensions as illustrated in the framework of analysis (chapter 5). After a short summary of the theses and key findings, the results will be critically reflected and discussed by selected statements from the interview partners.

9.2 Discussion of Findings

The following sections will outline the findings from expert interviews as outlined in its methodology regarding the data collection and analysis in chapter 6. The interviews will critically reflect the findings from SMI analysis and Case Study analysis and will be outlined in the following sections by carefully selected statements as well as by references to the original statements in the appendix of this chapter. Each original statement of the interview partner as well as the findings based on original statements but summarized by the author are indicated with shortcuts set in brackets that guides the reader to the corresponding statement in the appendix of the thesis (as an example [R1] refers to Interview R, statement 1). Generally the findings from expert interviews are structured by the elements of the developed research framework as illustrated in chapter 5 of the thesis. Due to the characteristics of a semi-structured conducted interview the quantity and quality of the findings are strongly varying. Although we tried to cover all relevant aspects of the research framework.

9.3 Company Factors

In line with the conceptual framework of this dissertation, board composition and structure regarding (number and kind of) stakeholder relationships are influenced by contextual factors of the company, like size, industry, resources, orientation, regulation, environmental uncertainty and public scrutiny (for detailed analysis refer

to chapter 7). We outlined in chapter 7 “SMI Analysis” how each of these factors influences the corporate governance understanding of the company. In the following we will therefore start directly with the corporate governance understanding, which can be defined by the company either under high public scrutiny or due to a company specific stakeholder orientation.

9.3.1 Corporate Governance Understanding

By theory and data analysis of the SMI companies (see chapter 3 and 7) two different corporate governance understandings were evaluated:

- A corporate governance understanding based on shareholder oriented regulations and recommendations or a company specific corporate governance understanding with a narrow shareholder focus.
- A corporate governance understanding with a broad stakeholder focus or emphasize on specific stakeholder groups (other than shareholders) with a company specific definition or based on a stakeholder oriented definition by recommendation.

The influence of these adopted corporate governance definitions on the board composition and structure as well as on the number and kind of stakeholder relationships directly or indirectly represented by the board of directors showed that companies with a broad understanding have on average:

- A higher degree of stakeholder relationships in their board.
- The specific kind of stakeholder groups mentioned in their corporate governance understanding directly or indirectly represented by their board.
- Board committees focused on specific stakeholder concerns or at least focused on the assurance of a high compliance with corporate governance and ethical behaviour.

On the other side we were able to identify companies that do not state a stakeholder oriented corporate governance understanding but have a similar board composition and board structures than companies with a stakeholder oriented corporate governance understanding. In this case the question arises if these similarities occurred by chance or if they were intended by the company. If the company intentionally takes stakeholder relationships and structures on the board of directors level into account we would suggest to state this orientation to the broader public by taking a more clearly stated stakeholder oriented corporate governance understanding. Based on this finding we can not predict a full exclusion of companies taking a narrow or regulatory based understanding from being aware of stakeholder relationships on the board of directors' level. As outlined by the following statements of the interview partners an expectation gap may exist between the written and published corporate governance understanding and the implemented and lived corporate governance system:

- Due to the origins and development of the corporate governance debate based on principal-agency theory.

Ja ja [...] aber das sind ja Worte [...] ich meine die ganze Corporate Governance Bewegung die kommt halt von der ganzen Shareholder Value Bewegung und dem Denken [...] Aber wissen sie dieses Herr und Knecht Modell des Principal-Agent Modells [...] das stimmt längst nicht mehr. Die Boards – und das sieht man in den Entschädigungsfragen – heute ist das eher ein Verhandlungsmodell zwischen verschiedenen Interessensgruppen. [N6]

- Due to the absolute necessity of taking into account various stakeholder interests in order to effectually carry out the boards' tasks.

Ich glaube nicht [...] dass man das so einfach unterscheiden kann. Ich glaube ein Unternehmen funktioniert überhaupt nur mit einer ganzheitlichen Ausrichtung. [...] Aber meine Auffassung ist nicht, dass die Verwaltungsräte die Beutelsklaven, die Agents der Principals, der Aktionäre, sind sondern in einer Interessenspluralistischen Gesamtsituation gefangen und dieser auch verpflichtet sind. [N7]

A stakeholder oriented corporate governance understanding signals to internal and external constituencies the importance of stakeholder concerns as well as the importance of benefit potentials implied by stakeholder management for the company. Therefore by taking a broad corporate governance understanding the company takes a first step towards a comprehensive view of stakeholders in their board composition and structure and is challenged to pay more attention to the process of stakeholder-oriented organizational wealth creation on the board of directors' level. Although these benefits only occur if the stakeholder oriented corporate governance understanding is not perceived as "empty phrases" and therefore needs to be incorporated.

9.4 Board Factors

9.4.1 Board Tasks

Based on theory we outlined in chapter 3, three tasks a board has to fulfil: monitoring or control, strategy and service. Although not using the same wording, the interview partners supported these general board tasks but highlight different aspects that can be summarized by the overall definitions as stated by Zahra/Pearce [Zahra and Pearce 1989]. The highlighted aspects can be perceived as current weaknesses in boards which should be solved by further board development in theory and practice. As stated by the interview partners the importance of the different tasks of corporate boards changed over time [R1, N2]. Boards are generally obliged to an adequate monitoring of management and controlling of risks [N3]. Management enhances risks by business practice and strategic decisions which have to be controlled and reduced by the board of directors, but today the boards focus on monitoring, controlling and compliance regarding managerial behaviour is too strong due to shareholders interests.

Also ich glaube [...] die wichtigste Aufgaben des Boards ist die Bestellung eines guten Managements [...], eine angemessene Überwachung [...], und das wichtigste ist heute eigentlich die Risikokontrolle. Denn das Management ist eher im Vorwärtsdrive und damit für die Anhäufung von Risiken verantwortlich und das Board hat eigentlich die Aufgabe diese Risiken zu bremsen, zu reduzieren und zu kontrollieren. Das sind für

mich eigentlich die drei wichtigsten Aufgaben des Boards. Dass sie natürlich noch organisatorische Aufgaben haben wie ein Rechnungswesen einzurichten und den Richter benachrichtigen müssen wenn es schief läuft und so das ist ja klar. Aber das unbekannteste ist eigentlich die Oberleitung – Nur was heisst Oberleitung eigentlich? Dazu gibt es eigentlich keine oder kaum vernünftige Literatur. [N3]

Although control and monitoring is stated by the interview partners as an important task that was long neglected by boards, these tasks should be seen more as necessary but accompanying and not as the main focus of boards [R1, L1, N2, N3].

Es gibt Leute die sind total kontrollorientiert. Und wahrscheinlich ist die Kontrolle etwas notwendiges, etwas begleitendes.. aber etwas nachgeordnetes. Aber das erste ist einmal dass sie ein gutes Produkt herstellen müssen, dass sie den Absatz sichern müssen, dass sie ein Unternehmen organisieren also sie müssen als Verwaltungsrat ein funktionierendes Unternehmen auf die Beine stellen. [N2]

This is in line with the task definition of boards from Swiss legal context which states boards as mainly responsible for the long term strategic orientation of the company.

Ja also, im schweizerischen Verwaltungsrat wird da sehr viel vorgeschrieben. Nach dem Obligationenrecht, hat ja der Verwaltungsrat sehr umfassende Aufgaben, die er zum Teil auch nicht delegieren kann, die sind gross genug, wie die Strategieverantwortung, wie die finanzielle Führung, wie die Besetzung der Geschäftsleitung und unter Strategie wird eigentlich alles subsummierbar. [L2]

But as stated by the interview partners, strategy is currently more in the hands of management than by the boards although it is stated as a legal and not transferable task of boards [R2]. Therefore boards should become more involved in strategy making processes and take a stronger focus on the basic strategic orientation of the company [R1]. But as further stated by the interview partners board members are often not sufficiently informed about the focal firm itself and its environment. In order to efficiently fulfil its tasks the board should therefore evaluate the company and its environment from different perspectives [G26]. By taking an internal perspective the board should know the former and current strategy, the applied structure as well as the culture of the company in order to develop strategic decisions that fit to the company and facilitate the implementation of changes in strategy, structure and culture [R1, R2, L1, N2, N3]. All interview partners state, that board members are responsible for the balance of strategy, structure and culture of an organization. Thereby board members have the organizational task to build up and conceptualize an effective company. This means, that board members have to build up internal structures (e.g. structure of the company, its strategic business units, its internal accounting and control systems) that adequately reflect and support the strategies taken. Additionally by taking an external view the board should analyze the companies competitive environment (market-based view of the company, outside-in perspective), the resources and competences available in order to position the company in the external environment (resource based view, inside-out perspective) and the stakeholder environment in order to evaluate constituencies inside and outside the company that provide or bear benefits and risks [L21, L23, R19]. This comprehensive

analysis of the company and its environment, which has to be undertaken by the board, stresses the importance of stakeholders as information and knowledge providers for corporate boards [G22, L23, R21, R22, L15, L25, L26]. Stakeholders should therefore be more involved and considered in the development of strategy and strategy making processes on the board of directors' level. The interview partners further stated that the board has the function to represent the company to corporate stakeholders and external constituencies, which is currently an unattended function of boards which should be again attain a stronger focus in the future [R1, R11, L3, N4]. Thereby the representation function of the board to external constituencies should be based on a general basis or related to specific issues but not focused on the daily business of the company because of the missing up-to-date information on current corporate actions. The representation of the company related to daily business concerns should be undertaken by top-management and at the utmost by the chairman of the board while further board members generally function as advisors and therefore fulfil a service task to management.

9.4.2 Board Size

The interview partners support our findings regarding the size of boards and how it is influenced by context factors of the company and the need of companies to include stakeholder relationships or expertise and knowledge on the board [G8]. Company size seems to have the most obvious influence on board size. Thereby the interview partners agree that small companies and family firms have smaller boards than bigger companies due to the amount of work to be performed and complexity of the tasks increasing with company size [R3, L5]. As stated by resource dependency theory and affirmed by the interviewees, big boards facilitate the inclusion of more direct and indirect stakeholder representation [R10].

Jetzt muß man sagen warum hat man denn das abgeschafft, diese großen VR der Vergangenheit. Das kann aus mechanischen Gründen sein weil es zu Aufwendig war immer mit diesen Leuten zu operieren. Das verstehe ich. Es kann auch sein das man zu stark rein finanziell denkt. Das vermute ich, dass man zu einsetig finanziell denkt. Es kann auch sein, dass man das schlecht gehandhabt hat und einen Haufen Freunde hineingenommen hat anstatt von einen Haufen Stakeholdervertretern und die im Endeffekt alles das gleiche Vertreten haben.[...] Und dass man nicht systematisch die Stakeholderidentifikation auf die Zukunft hin überlegt hat, was sind in Zukunft unsere Stakeholder und von dort holen wir die Leute hinein. Ich bin vollended davon überzeugt, dass man das besser machen kann.

In order to benefit from bigger boards, boards need to be heterogeneous in its composition of knowledge and expertise as well as in its stakeholder orientation especially focused on relevant stakeholder relationships in future [R10]. Over the time and influenced by the corporate governance debate, board size decreased in the past based on the increasing monitoring focus as well as from financial and team efficiency considerations [R10, R11]. As stated by the interview partners, board size has a strong influence on team processes and the internal structure and communication culture of boards. Bigger boards are more likely to establish a complex board structure by various

committees, which includes the risk to transfer the responsibility of board members for board decisions to the preparations function of committees [R3, L5]. Small boards, on the other hand do not establish committees (or to a lesser extend) and all members of the board are responsible for all tasks and decisions taken. While in the past larger boards were established in order to represent all kinds of stakeholders on corporate boards with a stake on the company, the current development of decreasing board size simultaneously decreases the representation ability of boards [R11]. Although the interview partners do not suggest to increase overall board size in the future again, they highlight that boards need to evaluate their board capital starting from optimal or recommended board size regarding the abilities, knowledge and relationships included and weigh up the potential positive and negative effects by the nomination of further board members in order to close the evaluated gaps [L5, R11]. Thereby the optimal size of the board may vary according to the specific companies' needs and contextual factors and can not be clearly stated in the forefront.

9.5 Board Composition Factors

The thesis assumed that based on the public debate of various corporate governance topics, which took the board of directors under a strong public scrutiny, there is growing importance and awareness for the right composition of boards and the nomination of directors due to their individual characteristics. This assumption was supported by the interview partners who stress the importance of boards to take a stronger focus on the nomination and adequate composition not only of management teams but also of the board itself. Although management and the chairman has high influence on the nomination of new board members, as stated by the interview partners, boards themselves need to be more active in the search for adequate new board candidates. As stated by the interview partners the search and nomination of board candidates was mainly made intuitively in the past [N17]. Today the search and nomination of board members is made more systematically either by the network of relationships of former or current board members, the knowledge of an adequate person by instance or by a systematic search by head hunter. Although this still does not seem to be well considered systematic approach. The nomination of board members should be analyzed regarding the added benefit of the board candidate to the compound of the other board members and should therefore depend on their human and relational capital [G11]. Boards should therefore need to evaluate themselves in order to identify gaps in knowledge, expertise and relationship capital as a basis to find a new board member that fills these gaps. The nomination of board members therefore should be based on a deepened analysis of various factors and characteristics of the board member (e.g. current employment and business practice, business knowledge and professional, educational and private background, activities, relationships and memberships relevant for the focal firm) [G11]. On the other hand it seems to be important to find a board member that fits into the board culture and behaviour [N13]. By taking this perspective into account the thesis assumed that the sleaze on boards, the Swiss corporate governance system was always negatively associated with, decreased and the composition of boards and the nomination of board members

became a strategically important task which strongly influences the performance of boards. Although the nomination of acquainted board member candidates can be perceived as sleaze it can also enhance trust and enhance positive team dynamic or decreases group conflicts on board level. As stated by the interview partners, trust is an important factor for the nomination of new board members and thereby often favours the nomination of board candidates who are friends of former or current board members [L10]. Board member nomination by friendship thereby enhances the ability to decide if the board member fits into the general board set up (e.g. knowledge on the strength and weaknesses of the board candidate). On the other hand this holds the risk to nominate board members that do not have the adequate experience and knowledge. These criteria for the right composition of boards are stated by the interview partners as follows:

- Boards should be homogeneously composed but at the same time need to reflect heterogeneous opinions in order to enhance the critical reflection of strategies and decisions taken as well as the inclusion of relevant interests.

Sie müssen versuchen ein relativ homogenes, aber nicht unkritisches und verschiedene Meinungen zum Ausdruck bringendes Gremium zusammenstellen. Da spielt der Präsident eine wahrscheinlich grosse Rolle. [N10]

- As boards have strong group dynamics new board members must fit into the board not only by their knowledge and expertise but also by their personality and from psychological aspects. If boards can not work effectively together this has to be changed immediately.

Ja [also man benötigt eine gute Hand für die Auswahl] und dann gibt es Leute die können vieles und andere können das nicht. Also es gibt einfach Leute die sind wahnsinnig viel besser als andere. [...] Es gibt Wirtschaftsführer die grenzen an Wunderdoktoren. Das gibt es und das darf man einfach nicht übersehen. Die möchte man natürlich gerne in seinem Verwaltungsrat sehen. Aber dass man heute einfach einen Freund nimmt also diese Zeit ist vorbei. [N16]

By this, the exigencies board members are asked to full fill seem to be very high, which leads to problems in market supply and an adequate financial motivation in relation to the responsibilities and requirements. Therefore the willingness of potential candidates to join a board is relatively low.

Heute stellt man Anforderungen an ein Board, die Menschen von Fleisch und Blut im Nebenberuf nicht mehr oder kaum erfüllen können. Ich sage nicht dass sie nichts tun müssen aber [...], die Erwartung an ein Board ist wahrscheinlich unvernünftig hoch. Ich rede hier jetzt nicht von den rechtlichen Erwartungen sondern was man heute mit dieser ganzen Corporate Governance Diskussion unter medialer Orchestrierung an Erwartungen in die Welt gesetzt hat. [N11]

[...] Und dann gibt es auch viele Leute die wollen gar nicht mehr. Die sind nicht so verrückt dass sie für das wenige Geld das man hier erhält so viele derartige Risiken auf sich nehmen. Also im Vergleich zur Managementebene [...] sind die Boards alle unterbezahlt. Also das was der Gesetzgeber jetzt macht das ist ja nur zum Schein. Die

Boards werden nicht hoch bezahlt [...], wenn sie die Verantwortlichkeitsrisiken in diesem Milliardenkarussell anschauen, dann ist das keine vernünftige Risikoprämie. [N18]

9.5.1 Stakeholder Relationships by Board Composition

As the thesis main objective is to analyze the influence of stakeholder relationships on board of directors' level, regarding benefits and potential risk reduction emerging from these relationships, the following assumptions were met:

- The awareness of the company regarding the importance of stakeholder relationships is reflected in the board composition by an adequate representation of stakeholders and by an adequate board structure in order to include stakeholder knowledge and concerns on the board of directors' level.
- The human capital of boards is strongly interconnected with specific stakeholder knowledge due to the individual directors' experiences and expertises.
- The relational capital of boards open up further stakeholder relationships often neglected by the nomination of new board members and often not stated by the companies in their board member description to the broader public in its annual report or publicly available information.

These assumptions can be supported by the following statement of an interview partner:

Wenn also ein Verwaltungsrat seine gesetzliche Rolle der Strategieverantwortung wahrnehmen will, muss er die Elemente kennen, die er kennen muss um die Strategie zu machen, er muss das Umfeld kennen, er muss die Kunden kennen, er muss den Wettbewerb kennen, er muss die Lieferanten kennen, er muss selbstverständlich andere Stakeholder berücksichtigen, auch im Verwaltungsrat, Arbeitnehmer auch, natürlich den Shareholder. Und dazu muss er entsprechende Kontakte haben. Ich habe immer versucht Schlüsselkunden persönlich zu kennen, er denkt ja auch, was sind allfällige strategische Partner, die Grenze zwischen einem strategischen Partner und einem Wettbewerber ist ja nicht sehr gross, das heisst er muss die Leute kennen, damit er seine Aufgabe wahrnehmen kann. Das bringt er ein durch Erfahrungen, die er hat oder macht, wenn er mit solchen Leuten spricht oder an Anlässen ist wo solche Leute sind, die bringt er natürlich ins Unternehmen, weil er Einfluss auf die Strategie hat. [L23]

The thesis therefore analyzed in a first step the human capital of boards, as an important factor for the nomination of board members and enriched the findings by a detailed analysis of the boards' relational capital, turning the focus on the stakeholder relationships each board member has individually and provides by an adequate board composition to the company. In the following we will shortly outline the key findings for each dimension and critically discuss them by selected statements from expert interviews.

9.5.2 *Board Capital*

In the following the key findings regarding the capital dimensions of the boards of directors in relation to their influence on board composition and the implied stakeholder relationships will be summarized. As outlined in chapter 5 the board capital is based on the demography, the educational knowledge, the business knowledge summarized by human capital and the relational capital of board members.

As stated by the interview partners boards can be composed by different abilities and knowledge (human capital of boards). Boards should therefore be composed of board members with diverging characteristics and abilities [N14, R7]. First and foremost the competences decide if a board candidate is nominated as new board member while the relationship network is only of subordinate importance [L11, L14]. As stated by the interview partners the board members should bring in the following expertises and knowledge to a board [L9]:

- Board members should have management experience
- Board members need educational knowledge and business expertise
- Board members need board process knowledge
- Board members need social competences

However, the interview partners state that the educational or business background of a board member is not the most important characteristic a board member should be nominated for. More important is that board members should be willing to listen and to acquaint themselves with the problems and tasks of the board [R7]. Therefore boards should be composed of board members with diverging characteristics, knowledge and abilities and high motivation. Thereby the knowledge and expertise of a new board member needed is shaped by its individual function in a board [R8, L8]. But in general, board members should have both, board process knowledge as well as expertise and knowledge on business processes [G7]. The interview partners further agree that legal competences are important for boards in fulfilling its tasks. Due to the increasing importance of law issues at least one lawyer or law expert should therefore be included on boards [L14]. Additionally, board members should bring in a strong network of relationships, which should be taken into consideration by their nomination. According to the human capital of boards the knowledge and expertise of a board member implies a network of relationships to the most important players regarding the focused competences (business and market relationships), as stated by the interview partners [L18, N9]. Therefore at least one direct stakeholder representative or board member with high relationship capital to different stakeholder groups should be included in boards. Further composition of boards by business expertise and educational knowledge depends on the individual characteristics and needs of the company (e.g. knowledge regarding a specific situation) [G7]. Regarding a specific situation of a company board members can be nominated (ad-hoc/by instance) in order to include knowledge and expertise focused on a new strategic orientation of the company [G6]. In a long-term perspective, if knowledge or relationships are included in the board and this knowledge or relationship is useful in a specific

situation it has the advantage that the board member, who brings this information in has also knowledge about the focal firm and how to use and implement the knowledge. External experts, providing expert knowledge to the board, bear the risk that they do not know, how the knowledge can be used and implemented in firm context and why a problem what underlines the importance of such internal knowledge. Therefore, as stated by the interview partners one should always keep in mind, that the board of directors is not an expert but a competence panel. By this it is important that the board member is conscious about his expertise and knowledge, its implementation and use as well as the knowledge and expertise of the remaining board members in their composition [G7, R22]. Therefore full board internal transparency on the different characteristics of each board member and the compound of board members should be provided. Board composition is by this always a portfolio management, where a board member does not need to be an “all-round talent” but the special knowledge, expertises and relationships of the individual board members should be composed to a comprehensive set [L8].

9.5.2.1 Educational Knowledge → Board Composition

The findings from the empirical study of this thesis regarding the functional knowledge of boards by education show that nearly all boards have a similar board composition, which includes at least one legal and one finance expert, and one or more board members with high knowledge in business administration. In addition all companies included board members with educational knowledge related to the main business activities and core competences of the company. This finding can be supported by the following statement of an interview partner:

Auf der anderen Seite gibt es natürlich verschiedene Möglichkeiten ein Board zusammenzusetzen. Ich meine man kann sich verschiedene Fähigkeiten aussuchen und das braucht man ja heute auch – also für das Audit Committee brauchen sie mal sicher einen ausgewiesenen Finanzfachmann – das ist überhaupt immer gut - und ich glaube mit der Verrechtlichung ist es auch nicht schlecht wenn man einen Juristen dabei hat - aber einen guten - und ich glaube nachher, also der Rest da hängt das dann auch vom Unternehmen ab [...] [N14]

9.5.2.1 Industry Knowledge → Board Composition

According to the findings from educational knowledge the empirical analysis of the industry knowledge accumulated by board composition is strongly interrelated with the contextual factors of the company (especially with industry and regulation)

[...] also ob man gewisse [...] ich glaube Repräsentation ist ein bisschen schlecht gesagt aber ob man verwandte Kenntnisse aus der gleichen Branche oder ob man vor- oder nachgelagerte Kenntnisse aus der Leistungskette haben will oder ob man einen hohen technischen Sachverstand braucht, dann nimmt man sich am besten einen ETH Professor. Ich glaube das muss man sich für jedes Unternehmen ganz konkret überlegen. [N15]

9.5.2.1 Business Practice Knowledge → Board Composition

The data analysis shows that nearly all board members have at least managerial experiences. In addition, many companies especially focus on the experiences of board members as CEO or as entrepreneur. This finding is supported by the following statement:

Es ist nicht nur das Wissen, es ist für mich wichtig, dass einer schon ein Unternehmen geführt hat. [...] Ich brauche in einem Verwaltungsrat ein Portfolio von Kompetenzen und das sind ja nicht nur Wissenskompetenzen, das sind auch soziale Kompetenzen. Also man muss wissen wie man eine Unternehmung führen muss. Ich kann ja nicht irgend einen im Gremium haben, der noch nie ein Unternehmen geführt hat. Und der soll dann der Geschäftsleitung oder 10'000 oder 20'000 Leute sagen wo es hingeht. [L9]

9.5.2.1 Board Process Knowledge → Board Composition

In order to question the importance of board process knowledge, which nearly all board members showed in our empirical analysis, the interview partner was asked about the debate to implement board mandates as a profession. The interview partners agreed that it is important to have board members with former experiences in board processes in order to gain all relevant information and to deal with the management and the available information providers. In addition the board member seems to be aware of his rights and responsibilities taken by the mandate. But board process knowledge is not an independent variable for the nomination of board members and should always be regarded in relation to the other dimensions of human capital.

Was sind professionelle Verwaltungsräte? Das ist ein Begriff der irgendwo entstanden ist in der jüngeren Vergangenheit, für Personen, die nur VR von Beruf sind. Was können denn die? Sie kennen das Handwerkszeug aber sie kennen das Reck und den Barren nicht. Sie brauchen beides, sie brauchen einfach beides. Natürlich ist es wichtig jemanden zu haben, wo irgendwie schon Erfahrung hat, wie geht man mit dem Management und den Informations Providern um, wie kommt man an Informationen usw. Es ist nützlich, aber es ist nicht das allein nützliche. Sie müssen auch Leute haben die etwas von der Sache verstehen. Die Sache ist immer irgendwie unternehmensbezogen. Also ein professioneller VR in einer Bank der nie etwas gehört hat von Risikomanagement in Finanzfragen der stellt sicher nicht die richtige Frage. Es braucht beides. [G7]

9.5.2.1 Firm-specific, Industry and General Business Knowledge → Board Composition

Company Knowledge is dependent on the former or actual work experience as well as the former or actual board mandates of the individual board member. In the empirical study we distinguished between knowledge about the focal company of interest (internal board member) and other companies the board member has gained work or board experience in (external board member). The empirical analysis showed that it seems to be important to have at least one internal board member included by board composition. Other company knowledge included is strongly connected to the focal

companies' business environment (e.g. industry). But it seems that both knowledge categories have positive and negative effects in board business practice. While insiders struggle with the problem of independence and corporate blindness, they know the strategy, structure and culture of the focal company as well as its products, processes and key stakeholders and therefore are more likely to provide better monitoring and strategic guidance.

Ja aber im Zusammenhang mit abhängig wird es dann sofort gefährlich. Natürlich sollten sie nicht mit Abhängigen schaffen auf dieser Ebene, sondern mit Leuten schaffen die in der Lage sind, auch gegenüber anderen Leute eine konstruktiv, kritische Position zu entwickeln. Ein Abhängiger kann die kritische Position nicht entwickeln. Das geht nicht, es muß konstruktiv kritisch sein. Ein absoluter Outsider hingegen kann diese konstruktiv kritische Position unter Umständen auch nicht entwickeln.

Other company knowledge opens up the risk for conflicts of interests (especially if the company is strongly related to the focal companies business) or a lack of understanding of the focal company, its strategy, structure, culture or business. The following statement from board expert interview emphasizes these findings.

Ein absoluter Outsider sorry, der macht Luftschlösser. hochintelligente vielleicht aber komplett nutzlos. [...] Oder er sagt einfach ja, ja das ist auch eine Möglichkeit. Vielleicht leuchtet es ihm ja auch ein und es ist ja auch kein Fehler wenn ein absoluter Outsider zustimmt, wenn es ihm gut erklärt wurde, so das er es versteht und er dann ja sagt. Dann ist es unter Umständen ein wertvolleres ja als von einem Insider, bei dem man nie weiß wie stark die Scheuklappen sind, die er schon anhat. Aber die Frage ist läßt er es zu, kann er es überhaupt zulassen oder will er einfach eine Überzeugung einbringen. Das ist gefährlich also Überzeugungen einbringen. Propheten sind gefährlich. Sind nützlich, aber gefährlich.

9.5.3 Board Relational Capital

As illustrated by the former section, board members are generally nominated by their competences, knowledge, expertise, and business or board experiences. Although, by nomination due to their human capital board members open up relationships to stakeholders which are perceived as important but have not yet been consciously taken into consideration to a full extent.

Es ist vor allem die Kompetenz die er mitbringt. [...] Also ich bin jetzt daran wieder neue Mitglieder in den CompanyX Verwaltungsrat zu suchen, und da suche ich natürlich nach einem klaren Kompetenzprofil. Was brauche ich? [...] Hingegen habe ich bis jetzt weniger bewusst auf die Vernetzung geachtet. Es ist ja immer auch ein Risiko, dass es da Interessenkonflikte gibt, aber das lässt sich nicht ausschliessen. Natürlich suche ich in der CompanyX jetzt jemanden der Logistikerfahrungen hat. Und der kommt natürlich aus einem Logistikumfeld und kennt natürlich den Markt, damit ist er vernetzt, weil er kennt die wichtigsten Players. Ich habe das bis jetzt weniger als Vernetzung angeschaut, als dass er einfach das Geschäft kennt. Das Geschäft kennen heisst natürlich die Players kennen und letztlich auch die Personen kennen, die dahinter stehen. [L18]

As formerly outlined by board size, the development of boards and the changes in board tasks, composition and structure decreased the stakeholder orientation of boards. Though, board members as a whole have to be aware of stakeholder concerns, the board of directors still seems to be an important platform for stakeholder relationships and functions as an arena for stakeholder interactions of the company. As board members open up relationships to these stakeholder networks and provide benefits by these relationships boards should therefore be more conscious on the importance to build-up and maintain stakeholder relationships on board level. In order to identify legitimate stakeholder concerns boards should take three different but overlapping levels and perspectives of stakeholder networks into consideration:

- Stakeholders relevant to the individual board member,
- Stakeholders relevant for the board and
- Stakeholders relevant from a company perspective.

These three dimensions of stakeholder relationships and networks should be covered by the composition of the board of directors

Boards need to identify the important stakeholders from a board perspective as well as the board stakeholder network established by board composition and the individual networks of the board members (stakeholder mapping) in order to systematically increase the benefits from stakeholder relationships. Thereby boards should be focused on the future importance of stakeholders in all three dimensions (individual stakeholder set, board stakeholder set, company stakeholder set). It is important that the board member is conscious about his position in its individual, the boards and the companies' stakeholder network as well as of the stakeholder networks of the remaining board members in their composition. The following table outlines the findings from expert interview with regard to the different stakeholder categories the board members can build up relationships with.

Employees	Employees are strategically relevant stakeholders with a different position due to their interests and wealth creation potential for the company. Employees make firm-specific investments and have therefore something at risk, which makes employees generally willing to be represented on the board of directors.	N22 G18
	Employee representation on the board of directors is not existent in CH (only if regulatory influences force the company). If employees are still directly represented in CH companies this representation is not a real representation of employees	G15 G16 G17 G18
	The instrument of employee representation suffers from bad experiences of the Employee Participation Regulations in Germany and the topic is therefore politically heavily loaded.	G16 G17 N23
	One should keep in mind that employees may be effected by strategic changes and by this may not provide an objective input for strategy formulation.	G29

Lenders	Shareholder, investors and lenders are generally represented by the board of directors (direct and indirect). Over the time, lenders have chosen to leave the board of directors as they have many other possibilities to influence the company (e.g. by audit, recapitalization, loan approval and extension) today.	R16 N25, N26
	Conflicts of Interest occurred by representatives of the banks/lenders in their role as board member of the focal company as well as in their role as manager of the bank. Thereby sensitive information made the representatives of the lenders incapable of action	N25
Shareholders	Shareholder, investors and lenders are generally represented by the board of directors (direct and indirect). Although, Shareholders have other possibilities to influence the board of directors (e.g. by voting rights at the general assembly) or in their decision to buy or sell the shares. Majority shareholder representatives become incapable of action by taking board mandates in the focal company	R16 N27 G20
	By legal regulation the different kinds and categories of shareholders have to be represented on the board of directors. But if a shareholder does not insist on his right, the legal regulation of representing all kinds of shareholders is in general not fulfilled in CH companies. This implies that shareholders are generally pleased with the representation and inclusion of their concerns. If a company has chosen to directly represent the different kinds of shareholders one should keep in mind that either all or no shareholder category should be represented otherwise there will be always a minority and a unbalanced influence of interests.	N29
Regulator, Government & Politics	Politicians in CH (e.g. Bundesrat, Nationalrat, Ständerat) often lack the ability to join a board due to their human capital. Although, they often join the company boards after their retirement.	N28
Society & Media / Analysts	Media, Analysts and representatives of the general society bear the risk to be not aware of the secrecy of sensitive information	N30
Competitors	Although the reaction of competitors is relevant for the strategy formulation they can not be asked and/or included into boards. Competitors are generally seen by the board as enemies and no relationships should exist between competitors and corporate board members (e.g. due to sensitive information ensuring business secrets)	R19 G29
	Sharing the same situational problems or issues may build up transitional relationships with competitors in order to develop a common strategy versus different stakeholder groups. Additionally competitors can be seen as potential new strategic partners and links or contacts to these companies should not be neglected.	R19 L23

Customers	Customers play an important role as stakeholders for the board of directors But if the customers influence on the board of directors is too strong or unbalanced represented the margins of the company may decrease in order to increase customer benefits.	L21 R18
	Problematic identification of an adequate consumer representative (representatives by consumerism associations; major customers (by sales or strategic importance)). Customer representation is therefore dependent on the ability of the focal company to segment its customers. Although direct representation of customers may internally and externally increase the consumer-orientation of a company (e.g. For example if a new strategic orientation towards customers is intended)	R18 N19 N20
	Customers are indirectly represented by the human capital of board members (board members that have expertise and knowledge about the products and the company as customers due to their former employment and business practice). Thereby the companies consciously nominate board members with knowledge and experience as customers or with high linkages to important customers into their board of directors (e.g. business experiences with companies that are customers of the focal firm, board member as customer or relationships to specific customers)	G12 L13 R18
	Customer relationships on board level provide important feedback on products and service of the company; this may increase the flexibility and facilitate a better positioning. (competitive advantage). Additionally customer relationships may enhance strategy formulation and implementation (e.g. stakeholder relationships can proactively reflect the reaction of stakeholders on strategic decisions). Although the problem occurs that customers may not keep still and therefore may spread information concerning the new strategy to competitors	G26 G29

Table 40: Stakeholder relationships on the board of directors level by categories.

In the empirical analysis we therefore distinguished the representation of stakeholders on the board of directors into:

- **Direct representation:** Board members nominated as direct representative of a specific stakeholder group (e.g. representative of unions or employees)
- **Indirect Representation:** Board members indirectly representing stakeholders by opening up links due to their individual characteristics in board capital (e.g. indirect representation by the individual stakeholder network of the board member)

These two dimensions to represent stakeholders on corporate boards include stakeholder concerns and build-up or maintain stakeholder relationships were supported by the interview members and the findings will be outlined in the following subsections.

9.5.4 Direct Representation

Direct representation of stakeholders can occur based on the general importance of a specific stakeholder group (e.g. employees by providing firm-specific investments) or by relevant upcoming issues. Due to dynamic changes in legitimate stakeholder concerns the direct representation of stakeholders by instance is difficult and additionally requires short tenures in board membership in order to take these dynamic changes into consideration. On the other hand it is important to find an appropriate stakeholder representative. This includes the generally relevant aspects for board members (e.g. psychological, group dynamical aspects, willingness and ability) but also the question of who should be chosen as representative of a relevant stakeholder group.

Wenn sie hingehen und irgendwie in Sonderabstimmungen Vertretungen für den Verwaltungsrat organisieren, dann ist die Wahrscheinlichkeit zu hoch dass ein Gremium zusammenkommt das nicht funktioniert. Sie müssen gerade auf Verwaltungsratsstufe ein funktionierendes Gremium haben und dieses Gremium muss auch auch mit der Geschäftsleitung gut zusammenspielen genauso wie die Geschäftsleitung unter sich. Letztlich setzen sie Menschen in Gruppen in Aktion und das ist oftmals eine komplexe und manchmal eine auch glückbestimmte Aufgabe.

Often especially the willingness and ability of stakeholder representatives hinders the board candidate to be nominated on boards and an enforced direct representation of stakeholders may bear the risk that the representative does not fit into a board [G13, N21]. As stated by the interview partners direct representation of stakeholders increases the risk for director free riding [G1, G24]. This means that board members may neglect their responsibility for all relevant stakeholders due to the fact that stakeholders are directly represented on the board of directors' level. Additionally one should keep in mind that direct stakeholder representatives only represent a specific segment of stakeholders and therefore bear the risk to neglect other stakeholder groups not directly represented [G2]. Generally the interview partners highlight that board members functioning as direct representatives of stakeholders should not represent particulate interests but should always act in the interest of the focal firm [L22]. Therefore direct stakeholder representation helps to include and understand the stakes as well as gain feedback on the changes and behaviour of the stakeholders directly represented but it should not be used to place the interests of these stakeholders on the board of directors' level over the interest of all stakeholders and the firm. In their concomitant position as a board member and direct representatives of stakeholders they always have to be loyal to the firm. Interaction processes with stakeholders that are directly represented by board members should therefore better be undertaken by board externals (e.g. interaction and contacts to employees and unions by the CEO and HR of the focal firm but not by the direct representative of employees on board level) [L22].

The following provides an overview on the key statements from interview partners regarding the direct representation of stakeholders on the board of directors. In summary we can conclude:

- Direct representation of specific stakeholder groups bears the risk that other stakeholder concerns are neglected. Direct representation should therefore not be treated as a stand alone instrument for the inclusion of stakeholders on the board of directors' level. [G1, G2, G14, G24]
- Direct stakeholder representations can send out a strong signal to the internal and external environment of the company. It can thereby enhance the legitimacy and reputation of the company as well as of its products and processes.
- Direct stakeholder representation seems to be important for strategic, organizational or cultural changes of the company. It may help the company to proactively gain specific knowledge needed for strategic re-orientation and strategy formulation. Additionally, it may support the implementation of strategy by gaining knowledge on how specific stakeholders respond to the strategy in the forefront of their reaction. [L22, G1]
- An effective direct representation of stakeholders demands for a company and situational specific stakeholder identification and segmentation process. The major problem of direct representation seems to find a willing and adequate representative of strategically relevant stakeholder groups. [N24]

9.5.5 Indirect Representation

The thesis assumed that board members have indirect stakeholder relationships by their individual characteristics in human capital as well as by further engagements and memberships as indicated in their curriculum vitae. Therefore indirect stakeholder representation and the related stakeholder concerns can be included by the board members individual stakeholder relationships network.

Ich glaube Verbände ist schon eine Stufe die nicht mehr so zählt. Aber es kommt darauf an was sie vorher gemacht haben, wo sie studiert haben, in welchem Kreis sie sich bewegen, vielleicht in welchen Vereinigungen sie sind, ob sie Golf spielen, ob sie im Business Club sind, ob sie auf internationaler Ebene in Vereinigungen sind, ob sie akademische credentials haben ... [N9]

Das sind ganz viele mögliche Faktoren. Das kann man sich aber nicht bürokratisch erarbeiten. Das glaube ich nicht ...

As stated by the interview partners one should keep in mind that there is no universal genius or a board member covering all relevant relationships to stakeholders [G25]. Even if aboard member was nominated due to his perceived knowledge and relationships of strategic importance for the company his knowledge and expertise is limited and focused on a very specific part of the relevant stakeholder network [G19]. Though, by empirical analysis, we were able to identify some „big linkers“, persons that had a significantly higher degree in number and heterogeneity of linkages to stakeholder groups. The empirical analysis showed that nearly all companies tried to establish at least one of these persons into their board of directors.

Ja [also man benötigt eine gute Hand für die Auswahl] und dann gibt es Leute die können vieles und andere können das nicht. Also es gibt einfach Leute die sind wahnsinnig viel besser als andere. [...] Es gibt Wirtschaftsführer die grenzen an Wunderdoktoren. Das gibt es und das darf man einfach nicht übersehen. Die möchte man natürlich gerne in seinem Verwaltungsrat sehen. [N16]

The interviewees agree that it is important to analyze the available stakeholder relationships of board members which is not systematically done so far, whether in nomination processes [N17], nor in regular board evaluation [R13]. Indirect stakeholder relationships on the board of directors' level include the risk of conflicts of interests [L18, L24, N25]; the relationships should be made transparent in order to decrease the risk (e.g. internal transparency by a governance committee that takes an oversight function on the board members further mandates and activities, transparency to the public by general information on the background and relationships of the board members) [G10].

9.6 Board Structure Factors

The thesis assumed that stakeholders can be included by board structure in two different ways. On the one hand the direct and indirect representation of stakeholders can be enhanced by the inclusion of the representatives on relevant steering committees or by building up special steering committees regarding stakeholder concerns. On the other hand companies can decide to include stakeholder representatives that are not members of the board by building up advisory committees. In general, the interview partners state that committee structures increase board size but can be seen as an instrument to support bigger boards to overcome the negative impacts of team productivity and work efficiently. But the interview partners point out that steering committees generally bear the risk that decisions are not taken by full plenum. Board members heavily rely and become dependent on the decision preparation of committees without a critical reflection of the prepared topics and decisions by themselves [L14, G8, G9]. Therefore committees bear the risk to shift off responsibility although all board members are responsible for the decisions taken by the board members in full plenum. With regard to stakeholder concerns this implies that the implementation of stakeholder committees with steering function shares the risks of general committee structures and may therefore be counterproductive. For the representation of stakeholders and the inclusion of stakeholder concerns by board structure an advisory board without steering function seems to be more effective and does not unburden the board members in their responsibility towards stakeholders like a steering committee does. Relational capital and an enhanced set of stakeholder relationships by board structure should therefore better be gained by an advisory board [G9, L6].

In the preceding sections we argued for the evaluation and transparency regarding the relationships of the individual board members and the board per se. Some companies from the SMI sample have established governance committees with the function to collect the business relevant relationships of the individual board members and make them transparent to the board. These governance committees are generally used to

decrease conflicts of interests that may occur by relationships or activities of the individual board members due to decisions taken or topics discussed by the board in full plenum. Due to the information collected, this committee could also be used to evaluate the stakeholder relationships of the board and thereby provide an overview on the available communication channels, knowledge and expertise as well as influence the nomination of new board members. However some interview partners question the efficiency of such a committee, as illustrated by the following statements:

Das ist einer von denen, der sich als professioneller VR bezeichnet und verkauft, der es aber immer wieder nicht gebacken bekommt seine spezifischen Interessen fernzuhalten von dem was er im VR macht.

VM: Um dies Transparent zu machen wurde ja aber ein Governance Komitee in der SBB gebildet...

Ja genau ein Komitee ... Ein völlig unnützes Komitee...

9.7 Board Process and Interaction Factors

As stated by the interview partners, boards have to deal with two important company internal institutions besides top management. On the one hand this is the corporate communications department that helps the board to communicate and position its results and decisions. The second company internal institution the board has high interaction processes with, is the strategic business units and divisions for monitoring and control of the strategic implementation and for gaining information and knowledge for future strategic decisions.

Nein natürlich bekommt er nicht alles [an Informationen], es kommt auch hier natürlich wieder auf die Größe der Unternehmung an usw. Jedes Ding am richtigen Ort. Ob in einem bestimmten Bereich einer Unternehmung eine Mitarbeiter- oder Kundenzufriedenheitsabklärung celebriert wird, dann ist das vielleicht nicht etwas das vom VR initiiert werden muss und ich finde auch nicht dass sie das Ereignis und sein Resultat unbedingt auf Stufe vom VR wissen müssen. Als Beispiel wenn man in der Filiale Genf das macht, dann ist es wichtig dass man es macht und es ist wichtig dass die oben was davon erfahren aber ob das nun ganz nach oben muß ist eine zweite Frage. Wenn sie jetzt eine Unternehmung haben mit 10'000 Mitarbeitern dann können sie die Mitarbeiterzufriedenheitsbefragungen nicht für 10'000 machen, das geht gar nicht weil die Ausrichtungen von den Tätigkeiten sind sehr unterschiedlich, das müssen sie dann strukturierter machen sonst bekommen sie kein sinnvolles Resultat. Also würde ich da vorsichtig sein. Kundenzufriedenheit, wenn sie ein Dienstleister sind spielt Kundenzufriedenheit eine andere Rolle als wenn sie Geberit-WC herstellen. Da sollte an sich an den VR natürlich irgendeine Summary gehen, oder auch was man wichtiges aus den Reklamationsschreiben sieht aber natürlich nicht die einzelnen Reklamationsschreiben, das is ja gar nicht möglich. Aber ein intelligent gemachtes Summary, da ist der VR aber auch gut beraten wenn er sich mal überlegt welche Faktoren und welche Warnlichter er überhaupt braucht und welche da rein gehören, also Reaktionsgeschwindigkeit z.B. Verarbeitungsfehlerhäufigkeit und mehrere ähnliche

Sachen. Und da braucht es den VR oder den VR Präsidenten oder auch das Management wo sagt das und das ist wichtig. Da glaube ich das kommt durchaus vor.

Although the board members do not and can not receive all information about a company and its activities, which increases the importance of an information summary prepared for board meetings. Boards should themselves and together with top management (who provides this summary for the attention of the board) should think about the factors and indicators needed to gain a comprehensive overview on important information. But, as further stated by the interview partners, board members should be conscious that internal information (e.g. information from management and corporate institutions) bears the risk of corporate blindness. This increases the importance for boards to search for information outside the company and therefore enhances the importance of stakeholder relationships and the interactions with external stakeholders by board members. If the knowledge and expertise of the board is not sufficient or if the information provided by management needs to be questioned in a specific situation, external experts can be assigned by the board in order to formulate an expert report to the attention of the board in full plenum or board committee. Additionally experts or stakeholders with expert knowledge can be invited to board meetings by instance in order to discuss their opinions and solve open questions. Generally, by these interactions with stakeholders in the stakeholder network of the individual board member (by instance, on events or meetings) the board member gains knowledge about these stakeholders which influences the strategy making process

Ich mag mich erinnern früher bei der SBG hat man regelmäßig für mindestens den Ausschuss des VR, wir hatten einen relativ großen VR, ich glaube wir hatten 24 Leute, also regelmäßig für den Ausschuss des VR, das waren ca 10 Personen. Man hat diesen Personen quer durch die Schweiz, Gelegenheiten geschaffen, wo sie mit verschiedenen Stakeholdern, also insbesondere Kunden und Shareholdern ein Zusammentreffen hatten, also mit Vertretern von der öffentlichen Hand, von Firmen usw und denen die Möglichkeit geben zu hören was die zu sagen haben. Das hat das Management organisiert, in Absprache mit den VRmitgliedern. Wer auf die Idee gekommen ist, ist ja egal. Aber das hat man gemacht. Man hat auch regelmäßig versucht dass die VRmitglieder Kontakt zu gewissen Mitarbeitern hatten. Indem z.B. VRmitglieder, von denen man gefunden hat sie haben eine interessante externe Tätigkeit eingeladen hat auf Veranstaltungen mit Mitarbeitern als Referenten auch um zu zeigen was mache ich in meinem Beruf. Da sind sie dann autoamtisch am Aperitif und dem sogenannten Networking, das Wort hatten wir damals zum Glück noch nicht, ins Gespräch mit den Mitarbeitern gekommen. Was haben sie dann für die Bank mitgenommen? Ganz einfach, die verschiedenen Stakeholderviews wie zum Beispiel die der Employees. Ohne dass man von dem jemals als Thema geredet hat. Genau das ist passiert. [G22]

Stakeholder interactions with external stakeholders can be initiated by the board member or the board, via the management or other internal persons, groups or institutions.

Es sind alle Wege denkbar. [Einzelnes Boardmember wird aktiv und fragt in seinem Relationship Network, Board als Gruppe holt diese Informationen ein, Management wird beauftragt verschiedene Institutionen/Abteilung der Unternehmen werden beauftragt] Da bin ich der Meinung da gibt es alle Möglichkeiten die sie angesprochen haben, da bin ich aber auch davon überzeugt dass das in einer gewissen Weise auch gemacht wird. Wenn sie als Unternehmung stark angewiesen sind auf bestimmte Zulieferer, weil sie in der verarbeitenden Industrie sind, dann sind sie als VR noch gut beraten wenn sie mit gewissen Zulieferern mal ins Gespräch kommen. Ob das einer von sich aus macht oder ob man das organisiert oder delegiert. so what? Aber ich bin der Meinung das passiert durchaus. [G22]

In general, negotiations with important external stakeholders (e.g. regulator, shareholders) are undertaken by the chairman of the board, the CEO or specialized institutions (e.g. public relations, investor relations) of the company. As an example, the chairman, CFO and investor relations cares for financial stakeholder relationships (especially with banks) by direct / personal and constant / periodically contact. Other stakeholder relationships are cared for by board members with high relationship potential to these stakeholder groups periodically or by instance but should be discussed in their content in board plenum first. A special form of stakeholder interactions with board members are all kinds of stakeholder events (roundtables, road shows, presentations, networking events) initiated by the board, management or other internal institutions related to the focused stakeholder groups (supply chain management to key suppliers, customer relationship management to key customers, management to employees, investor relations to important investors) in order to enhance stakeholder knowledge and relationship building.

Natürlich, kommt wieder darauf an welche Firma, wie groß, wie komplex sie ist. So Sachen organisieren kann das Management wahrscheinlich besser, weil es den direkteren Kontakt hat. Ob die Managementebene auf die Idee kommt halt, wir sollten das machen das wäre ja nützlich oder zwingend nötig oder ob der VR auf die Idee kommt oder ob sich das einem Gespräch oder Gedankenaustausch ergibt ist egal. Das ist Wurst. Wesentlich ist, dass es stattfindet, und ich bin auch überzeugt dass es effektiv statt findet, aber ohne große Strukturierungen ohne große Komiteeübung und häufig findet es statt ohne dass man sich auch zielbewußt darauf konzentriert. Ohne das man sagt: „Jetzt haben wir eine stakeholderorientierte Sache gemacht“. Dabei ist es effektiv durchaus genau das gewesen. Das ist doch gleich. Wesentlich ist das Resultat, nur das Resultat ist wichtig. [G22]

Board members should be conscious about that these interactions bring important knowledge regarding stakeholder concerns and relationships into the board room and that they can build up stakeholder relationships and the consideration of stakeholder interests.

9.8 Beneficial Outcomes of Board-Stakeholder Relationships

As formerly outlined board members open up relationships and provide benefits by these relationships to three sets of stakeholder networks: the individual stakeholder

network of the board member, the board stakeholder network and the company stakeholder network. Therefore the benefits provided by board stakeholder relationships can also be distinguished into these three levels. In the following we will outline how the board and the individual board member can benefit from stakeholders in fulfilling their tasks and how the company benefits from stakeholder relationships on the board of directors' level benefit by taking a more general perspective.

The direct and indirect stakeholder relationships open up potential links for the company to various stakeholder groups and by this may improve the task performance of boards.

Der positive Impact [von Stakeholderbeziehungen liegt] eher in der Servicefunktion, also in der Beratung des Managements und in der Beratung, auf die Vorgabefunktion

Ja ich glaube [dass Verwaltungsräte mit einer höheren Beziehungsdichte auch eher diese enabler funktion wahrnehmen] es gibt solche ja die gibt es ...

However, as stated by the interview partners, the beneficial impact of stakeholders and stakeholder relationships on the board of directors' level is mainly focused upon the service and strategy function of boards.

Stakeholders have only little influence and therefore provide only weak benefits on the monitoring and control processes of boards towards management in the interest of shareholders as stated by agency theory.

Also wenn wir jetzt über die Kontrollfunktionen reden dann sehe ich das recht zweifelhaft.

Wenig. Da ist wenig zu erwarten. Da ist etwas zu erwarten in Bezug auf die Vorgaben gegenüber dem Management. Also wenn sie unzufriedene Aktionäre haben, dann kann das dazu führen dass man im Bezug auf die Leistungsvorgaben gewisse Sachen ändert um die Aktinäre besser zufriedenstellen zu können. Aber in Bezug auf den Kontrollprozess würde ich meinen weniger. [G27]

But stakeholders can support boards regarding the basic set up of the processes and the formulation of performance standards towards monitoring. Additionally, we assumed that stakeholder relationships and the link to external constituencies influence the strategy making process and decisions taken by the board. New strategic orientations or the implementation of new concepts and instruments may be improved and tested by the experiences of board members or by their relationships.

[...] die Leitungsfunktion haben sie glaub ich nicht erwähnt. Da ist glaubs der grösste Einfluss zu sehen. Ja. [Darin sehe ich die hauptsächlichen Wertschöpfungspotentiale von Stakeholdern].

Although the interview partners state that the feedback function by stakeholder relationships on the board of directors' level on strategic changes is limited due to the fact that changes in strategy need high confidentiality. Stakeholders can therefore only carefully be involved into strategy formulation and clarification if they are not part of the board and therefore committed to keep still (direct representation). Anyhow stakeholder relationships may enhance the decision clarification towards the

implementation of a strategy (e.g. show up barriers and conflicts of a successful implementation) and therefore benefit the strategy task of boards.

Das [Einfluss der Stakeholder auf Strategie und Rückkopplung strategischer Entscheide im Hinblick auf die Erwartungen und Reaktionen von Stakeholdern] kommt wahrscheinlich schon irgendwie vor. Die Frage ist nur wie und mit wem? Oder wenn sie eine Strategieänderung diskutieren dann ist das ein Gegenstand der einen höheren Vertraulichkeitsgrad braucht. Das können sie nicht der ganzen Welt im voraus schon sagen. Da müssen sie schon auf ihre Konkurrenten aufpassen obwohl die Reaktion der Konkurrenten unter Umständen ganz wesentlich ist. Sie können auch ihren Kunden nicht allzuviel im voraus sagen, weil sonst wüßten es ihre Konkurrenten ja auch. Das ist sicherlich heikel. Da werden in der Regel schon Rückkoppelungsüberlegungen gemacht. Sie können ihren Mitarbeitern im voraus auch gewisse Sachen sagen und die Reaktionen analysieren und einfließen lassen aber halt auch nicht alles. Wenn sie eine Strategieänderung machen kann es für gewisse Mitarbeiterkategorien negativ sein Und dann ist die Reaktion vielleicht auch nicht förderlich für die Strategiefindung. Höchstens als Implikation für Hindernisse in der Strategiedurchsetzung. Aber auch da gibt es Grenzen. [G29]

9.9 Summary and Conclusions

As a conclusion of this chapter we will in the following summarize the most important benefit potentials of stakeholder relationships on the board of directors' level as stated by the interview partners. In the following chapter the findings from expert interview analysis as well as these benefit potentials will help us to formulate managerial implications in order to support boards by a successful implementation of stakeholder relationships on corporate boards and by an optimal outcome from the benefit providing and risk reducing advantages of stakeholders directly or indirectly included on corporate boards.

Stakeholder Relationships can ...	Reference
... can open up benefits for strategic decisions and orientations (e.g. new markets)	[L17]
... open up communication channels	[L15,L25,N31]
... facilitate the access to further knowledge and expertise	[L15, L25]
... facilitate the access to important resources	[N31]
... enhance the legitimacy of the board and the company (stakeholder relationships and highly regarded board members (e.g. by expertise, knowledge, individual characteristics, image reputation, title) increase the image and trust of stakeholders in the company)	[R21]
... facilitate the implementation of changes	[G29]
... be used for proactive strategy formulation and therefore is a competitive advantage (e.g. advance of knowledge, strategic positioning)	[L3, L26]

<i>.. serve the interest of the company in a long term by serving the interests of all stakeholders in a balanced way</i>	[L20]
<i>... increase the wealth creation process of the company (Stakeholder relationships on board level can benefit the achievement of economic goals (e.g. sales and revenue increase, cheap credits) and the wealth creation process of a company in general.)</i>	[R21]
<i>... help to reduce risks</i>	[R22]
<i>... influence and initiate innovation and innovative ideas.</i>	[G26]
<i>... bring different perspectives into boards and therefore decrease the risk of corporate blindness</i>	[G26]
<i>... lead to knowledge transfer and the search for knowledge may lead to stakeholder relationships on the board of directors' level [R21]</i>	[R21]
<i>... internally and externally increase the stakeholder-orientation of a company (e.g. For example if a new strategic orientation towards customers is intended)</i>	[L27, N19, R21]

REFERENCES

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Zahra, S. A. and Pearce, J. A. (1989). Boards of directors and corporate financial performance: A review and integrative model. *Journal of Management*, 15(2):291–334.

CHAPTER 10

1

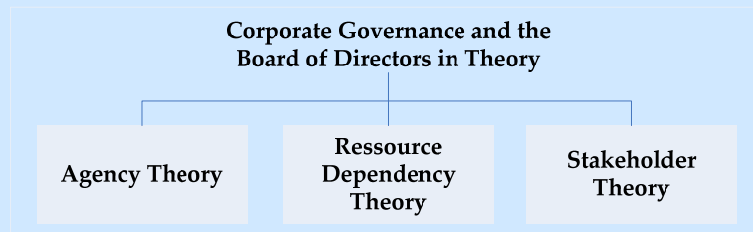
Introduction

2

Corporate Governance & the Board of Directors in Switzerland

3 & 4

Theoretical Background



5

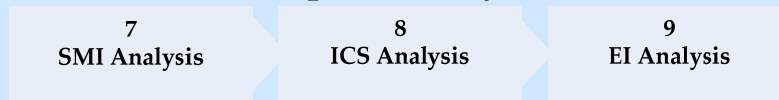
Framework of Analysis

6

Methodology

7-9

Empirical Analysis



10

Findings & Conclusions

10 INTEGRATION OF FINDINGS AND CONCLUSIONS

10.1 Summary

The thesis is concerned with the overall research question on how stakeholder relationships can be established on the board of director's level and how these relationships can provide benefits to the board and the company. Thereby the present thesis aims to be a first step towards a comprehensive theory of boards focused on the evaluation, establishment and impacts of stakeholder relationships on the board of director's level. Extant board research is thereby expanded in three ways:

- First, the present thesis expands board theory *conceptually*. Past board research has merely focused on "input" aspects of boards (e.g. board composition and structure) leading to "output" aspects (e.g. company performance). But it has neglected to a large extent the importance of relationships on the board of directors level that open up or establish interaction processes which influence the value generation leading from traditional input factors to output. The thesis thus proposes board-stakeholder relationships and interaction processes to be considered along with the board's composition and structure in order to improve the so far ambiguous results from evaluation of the board or company performance output aspects in future research.
- Second, the dissertation expands board theory *empirically*. By a combination of qualitative and quantitative research the thesis empirically evaluates a comprehensive picture of the current state of the art in board-stakeholder relationship implementation and evaluation.
- Third, the thesis expands board theory by *managerial perspectives and implications*. By the reflection of the findings from empirical analysis in discussion with board experts the dissertation evaluates managerial implications, in order to support the practical application of the framework.

10.2 Roadmap of Findings

In order to integrate the findings, the following sections will shortly reiterate the purpose and conclusions from the integral parts of the dissertation. Three figures show, for each part, which assumptions and theses were adopted and how these aspects are interrelated with each other.

10.2.1 Part 1: Theory and Framework Development

By two sub-questions the thesis reviewed the conceptual and empirical findings of extant board research:

Question 1: Which are the main board aspects that have been focused upon in extant board theory?

Question 2: Which are the main findings from extant empirical research regarding these aspects?

Four main conclusions were drawn by the review of theory:

- The review of theory and past board research shows that the dominant input-output perspective on boards, focused on the direct link between board aspects and company performance, produced contradictory results (Shleifer / Vishny, 1996; Dalton et al., 1998; Bhagat / Black; 1999; Dalton et al.; 1999) and does not seem to be sufficient to analyze boards and the performance or value adding implications of boards to a full extent. Board research should take an “input-process-output” perspective but only few contributions have so far taken this issue conceptually or empirically into consideration (Smith et al.; 1994; Forbes / Milliken; 1999; Golden / Zajac; 2001)
- Interactions based on relationships between the board and the various internal and external constituencies of the company seem to be crucial to the successful performance of the board’s tasks and in extension, to the success of the firm. Thus, relationships between the board of directors and the external and internal constituencies of the company are considered as an enabling factor for board interactions and therefore determine the value-adding potential of boards.
- The thesis suggests by principal-agency, resource dependence and stakeholder theory that board-stakeholder relationships are influenced by the composition and structure of boards, which are themselves influenced by the specific context factors and characteristics of the company. By this the thesis does not argue that there might be a single optimal board composition and structure but that the board configuration has to be optimal for the focal firm, contingent on the firms’ particular situation.
- However, boards are perceived as a firm-internal resource that can help the company to gain sustained superior performance relative to its competitors (Barney; 1991). The adequate composition and structure of boards can therefore be seen as a strategic task and opportunity to build up relationships to strategically relevant stakeholders. Stakeholder relationships on the board of directors’ level can therefore be seen as value-adding potential of companies in order to improve interaction processes, board task and in extension company performance. Additionally the firm-specific set of stakeholder relationships applied on corporate boards can be seen as source for competitive advantage.

Based on these findings the thesis suggests that board-stakeholder relationships need to be analyzed in order to evaluate the beneficial contributions of these relationships to the board and by extension to the company. In the following the thesis therefore developed a framework of analysis based on and influenced by the theoretical and empirical findings in order to evaluate the current stakeholder relationships applied by board composition due to knowledge networks and the further possibilities to include stakeholders on the board of directors and / or to build up stakeholder -relationships on the board of directors’ level.

Based on an analysis of agency, resource dependency and stakeholder theory as well as of related empirical studies the general underlying assumption of the thesis was developed:

General Assumption:

Board-Stakeholder Relationships by board composition and structure can provide benefits to the board of directors and by extension can positively influence the wealth creation potential of companies.

10.2.2 Part 2: Framework Development and Empirical Analysis

Based on the developed framework, the empirical analysis of the thesis was conducted. The SMI analysis served the purpose to evaluate stakeholder relationships of board composition and structure already applied due to the characteristics as well as expertise, knowledge and stated memberships of the individual board members. By this it illustrated the state of the art in board composition and structures of 24 companies from different industries and with diverging contextual variables. The context factors thereby served as control variables in order to outline the differences and to evaluate similarities with regard to the stakeholder relationships directly or indirectly applied by board composition and structure. Several conclusions were drawn from this rather abrasive analysis regarding the influence of contextual and firm-specific variables on board composition and structure focused on stakeholder relationships, which will be briefly outlined in the following:

- In line with the conceptual framework of this thesis and the theses developed from theory and extant research, board composition is influenced by corporate context factors.
- The applied corporate governance understanding of the company shaped the inclusion of stakeholder relationships in their degree and heterogeneity.
- About x percent of all SMI internal interlock ties as well as stakeholder relationships by former or current business experience of board members linked non-financial companies to financial institutions.

The second step, the case study analysis, served the purpose to evaluate more deeply the motivation behind directly or indirectly applied stakeholder relationships by a specific board composition and structure of three Swiss companies, due to their firm-specific situational and contextual variables as well as their general stakeholder orientation. We were able to show that only a deeper understanding of the company reveals the stakeholder relationships included by board composition and structure. Additionally by the case study analysis we were able to identify first insights into the benefit potential of stakeholder relationships on the board of directors' level for the board and the company as perceived by interview partners from case study analysis. By the interview of experts regarding different perspectives of boards and stakeholders we critically reflected the former findings and broadened the insights into the benefit potentials of stakeholder relationships on the board of directors level in the third step of empirical analysis. The expert interviews led to the development of managerial

implications regarding different board set-ups with regard to build-up, maintain and benefit from stakeholder relationships on the board of directors level. The overall findings as well as the managerial implications formulated are the content of the following sections.

10.3 Corporate Governance Understanding

Based on the range of corporate governance definitions from broad to narrow we distinguished between a stakeholder oriented and a shareholder oriented corporate governance understanding. We assumed that the corporate governance understanding applied by the companies shapes the stakeholder representation and relationships included on the board of directors' level.

By this proposition we assumed that companies consciously chose their corporate governance understanding due the specific stakeholder focus (stakeholder/shareholder oriented) of the company in order to set an internal and external signalling function.

By an analysis of the corporate governance understanding as stated by the companies in the SMI sample we identified the following cases:

- 1.) The company has consciously chosen a shareholder oriented corporate governance understanding.
- 2.) The company has consciously chosen a stakeholder oriented corporate governance understanding (either focused on specific stakeholder groups besides shareholders/investors/owners or mentioned stakeholders or the society in general).
- 3.) The company has no clear understanding or definition of corporate governance stated and directly or indirectly refers to the corporate governance regulations and recommendations it complied to. Therefore the specific focus of the recommendation or regulation decided if the corporate governance understanding of the company is shareholder or stakeholder oriented.

By an analysis how the corporate governance understanding shapes the board composition due to the direct and indirect representation of stakeholders we evaluated the following cases:

- 1.) Companies that have chosen a stakeholder oriented corporate governance understanding
- 2.) The companies that have chosen a stakeholder oriented corporate governance understanding were outperforming companies in the full SMI sample in their relationship-ratio per board member to

The traditional understanding of boards, that evolved from the shareholder value movement based on a principal-agency view on boards (narrow perspective) changed to a negotiation model between different stakeholders (broad perspective). Therefore we conclude:

Today boards are obliged to pluralistic interests of various stakeholders not only to shareholder concerns. Therefore the corporate governance understanding of a company should be broadly defined.

A stakeholder oriented corporate governance understanding signals to internal and external constituencies the importance of stakeholder concerns as well as the importance of benefit potentials implied by stakeholder management for the company. Therefore by taking a broad corporate governance understanding the company takes a first step towards a comprehensive view of stakeholders in their board composition and structure and is challenged to pay more attention to the process of stakeholder-oriented organizational wealth creation on the board of directors' level. Although these benefits only occur if the stakeholder oriented corporate governance understanding is not perceived as "empty phrases" and therefore needs to be incorporated.

If a company has applied a broad corporate governance understanding the stakeholder orientation has to be incorporated.

10.4 Stakeholder Relationships and Benefit Potentials by Board Composition

In the following we will outline the findings on how stakeholders were directly and indirectly represented on corporate boards as analyzed by the SMI and Case Study Investigation. We further reflect our findings by the statements from the expert interviews and try to develop managerial implications on how each of the representation mechanisms (direct/indirect representation) may lead to beneficial outcomes.

10.4.1 Direct Representation

The thesis analysed corporate boards due to the direct representation of stakeholders by specifically selected board members. Direct stakeholder representation was defined by the thesis as the formal stated and specifically nominated board member as representative of a specific stakeholder group by the company. Due to the German experiences direct stakeholder representation in Switzerland is not common or a favoured instrument for building up stakeholder relationships on the board of directors level. Direct stakeholder representation only occurs in companies that are strongly regulated or have a special relationship to the government due to its historical development or business practice. Board members as direct representatives of specific stakeholder groups bring knowledge and present of the perspective of the specific stakeholder group into the board room and by this into the company's decision making process. We assumed as the main task of the direct stakeholder representative on the board of director's level is on the one hand to gather the current and changed perspectives and on the other hand to communicate corporate decisions to their constituencies. The strong relationships to a particular stakeholder group by direct representation on the board of directors' opens up the risk that the board is not deciding or communicating as a whole. Therefore the following recommendations concerning the function and behaviour of the designated board members should be

taken into consideration if the company has chosen to implement direct stakeholder representation on their board of directors:

- It is important to be aware of the function of the direct stakeholder representatives.

Direct representatives of stakeholders on the board of directors' level should reflect the perspective of the represented stakeholder group and not their position.

This distinction is absolutely imperative for a consensus-based group like the board of directors that must make decisions affecting the short and long term viability and direction of the system as a whole.

- Direct stakeholder representation should not be taken as a stand alone strategy for building up and maintaining stakeholder relationships on the board of directors' level.

Direct stakeholder representations should be used to emphasize the importance of specific stakeholder groups for the company by their inclusion on the board of director's level.

The direct representation sets a strong signal for the corporate environment and therefore opens up advantages in legitimacy and a better stakeholder scanning but always focused on the specific stakeholder group represented. The company should therefore not neglect other stakeholder groups that are not directly represented. Additionally the direct representation should not be chosen too specific, due to the fact that stakeholder groups are always including subgroups that may have different perspectives on relevant issues.

- The board of directors needs to have one public voice and occurrence to the corporate environment and the full variety of the corporate stakeholders.

Direct stakeholder representatives must respect the one public voice and occurrence of the board of directors so that the board of directors maintains credibility and unity in the eyes of stakeholders and the public.

Direct representation on the board of directors' level opens up the risk that there is not a unified voice in communication to the different constituencies especially to the stakeholders directly represented by a specific board member due to the strong relationships to this stakeholder group and their potential information advantage by this relationship.

- As the committees are important structural factors for the decision finding and making process direct stakeholder representatives should be included into important steering committees of the company in order to maintain legitimacy and decrease the risk to take a token function.

The board member chosen for direct representation should be included into the key committee structure of the board of directors

10.4.2 Indirect Representation

Based on the assumption that the awareness of the company regarding the importance of stakeholder relationships is reflected in the composition of its board, the SMI Analysis (see chapter 7) was especially focused on the investigation of different models of board composition regarding the indirect representation of stakeholders. We thereby further assumed, as stated by resource dependency theory, that a company can indirectly represent stakeholders by an adequate composition of human (HC) and relational capital (RC) of the individual board member. Human Capital (HC) thereby includes all relationships a board member has gained due to its former educational (HC-FKE) and business (HC-BPK) experience and therefore mainly covers stakeholders from the economic (resource base and industry structure) environment of the company.

Board members with high business knowledge and relationships to business relevant stakeholders of the company (high HC-BPK ratio) thereby mainly benefit the board and the management of the company by the following attributes that lead to an improvement in the monitoring and strategy role of the board.

Board members with high HC-BPK ratio have:

- Expertise in the development and to ratify and monitor decisions
- Sounding board for executives providing advice and council on internal operations, especially by providing valuable information on how other firms deal with similar problems and concerns.
- Opens up links to important current or potential resource providers of the focal company and a channel of communication between companies the board member has relationships with.

We therefore stated the following proposition:

Boards that are mainly concerned with strategic and monitoring tasks are focused on business experts in their composition and can be evaluated by high ratios in the HC-BPK dimension.

These positive effects of indirect stakeholder representation by business relationships due to a high ratio in the HC-BPK dimension were generally supported by the interview partners from expert interview (see chapter 9). Although the interview partners state that different problems may arise by the inclusion of business experts into corporate boards which should be taken into consideration:

- **Insider Board Members:** Although the insider (former employees of the focal firm) has expertise and knowledge on the focal firm, its internal structure and processes, the strategic orientation, the culture, the core competencies and products, its market and stakeholder environment and therefore should have the highest performance in the monitoring and strategy tasks of boards he may struggle with problems of independence (decreases monitoring function) and corporate blindness (decreases strategy function) which decreases both abilities, as stated by the interview partners.

- **Related Board Members:** Board members with knowledge, expertise and relationships in the related business environment of the focal company (e.g. same industry, former or current employee of a competitor or supplier) still share a similar understanding on markets, products and stakeholder environments with the focal firm which and therefore have expertise how to ratify and monitor decisions (monitoring). Additionally they can furthermore provide valuable information on how other firms deal with similar problems and concerns (strategic guidance) although their lack in corporate knowledge may decrease their ability in comparison to internal board members. But in contrary the relatedness of the board member to the focal company also opens up the risk for conflicts of interests and to openly discuss strategic developments and critical issues in the board room, as stated by interview partners.
- **Non-related Board Members:** Have the lowest ability to effectively monitor management and to develop relevant business strategies for the focal companies due to their lack of understanding of the focal company, its products and processes, former strategies, its structure and culture or environmental issues. Therefore the risk arises that these board members will only rubber stamp strategic decisions and thereby provide no benefits to the board or the company. But if the company or the corporate board cares for this kind of board member by a detailed explanation of corporate decisions based on the specific background of the focal firm the non-related board member has a high potential to increase his ability in monitoring an strategic guidance, as stated by interview partners.

We therefore conclude by the following managerial implication:

Boards should not only be aware to have business relationships included by its composition but should also try to evaluate and actively manage the specific kind of board members with business relationships in order to increase the benefit potential on the monitoring and strategy tasks of the board.

By the SMI analysis we observed that 15 companies of 24 companies in the full sample have an on average high ratio in the HC-BPK dimension. While 5 companies were single focused on business knowledge, 3 companies combined a high ratio in HC-BPK with a high ratio in RC (Relational Capital) and 7 companies combined a high ratio in the HC-BPK dimension by further focusing on expert knowledge and relationships (HC-FKE). By taking an aggregated view on the industry we evaluated that the basic materials and industrials industry is highly related to a single focus on business relationships, while neglecting other potential relationships and resources of beneficial impacts from the HC-FKE and RC dimensions. Both industries have in common that they are acting in a low regulated business environment and have a relatively low knowledge orientation. Their high dependence on financial resources can be illustrated by their main focus in the HC-BPK dimension, where Banking ranges in the top rankings of both industries as well as by the low stakeholder orientation in their corporate governance understanding (only 3 of 9 companies state a stakeholder

oriented definition). Consumer goods industry on the contrary takes an additional focus on relational capital but can only be differentiated in their contextual variables from industrials and basic materials industry by a high ratio in board size. Therefore we conclude for the business relationship orientation of industries, that the importance of HC-BPK seems to be connected with a high dependency on financial resources, a low regulative environment associated with a shareholder oriented corporate governance understanding. Furthermore we were able to show in the SMI Analysis that the companies generally try to establish business relationships and include business knowledge from industries that are strongly related to the core business and processes of the company (see chapter 7). Additionally, in the case of Swisscom we were able to evaluate that the indirect representation of stakeholders by board composition due to their business knowledge can also be used in order to open up new business activities or to facilitate the entrance into new markets (see chapter 8).

The Relational Capital (RC) is based on the relationships a board member has built up with mainly socio-political stakeholders of the company, institutions in the broader public of the corporation and with no current or direct business connection.

10.5 Stakeholder Relationships and Benefit Potentials by Board Structure

10.5.1 Representation by Board Structure

The company can establish a board external advisory committee or “Beirat” with various stakeholder representatives serving as advisors but with no influence on the strategic decision making and finding process. The advisory committee usually meets together to provide input or feedback to the board members regarding a specific policy, program or issue either individually developed or put to them by the board of directors. By hearing the views of the stakeholder constituencies on specific and company relevant issues the board member can develop a broad and rounded knowledge, which helps to improve the decision making capacity of the board member, where decisions have to be made with the benefit of the entire system in mind. Additionally it opens up the opportunity to evaluate upcoming issues which may influence the company in future as well as enhances the ability to develop proactive strategies how to deal with these issues. Therefore the following recommendations should help companies and board members which have established a advisory committee to enhance the benefit potential of this instrument for the inclusion of stakeholder concerns on the board of directors level:

- The attendance of board members at advisory committee meetings gives a strong signal to stakeholders and gives the board members an opportunity to hear the stakeholder views on the policy, program or issue under consideration.

The board member attendance at advisory board meetings is not required but should however be strongly encouraged.

The board members primary role at these meetings can be summarized in listening and clarifying. Listening to the views of all stakeholders on the specific

issue or upcoming issues as indicated and / or developed by the stakeholders. Additionally in order to receive valuable input to specific questions the board member should explain the context and rationale of decisions under consideration as well as asking relevant questions where appropriate.

- Again the board has to keep in mind, that the stakeholder advisory council only represents the stakeholder perspectives as selected in its compositions. The full picture of the various stakeholder perspectives and all information (in comparison to board meetings) can not be discussed and reflected.

Board members must be extremely cautious in making comments and / or commitments in the discussion of the advisory committee.

10.6 Limitations of the Empirical Study and Implications for Future Research

The limitations of the thesis are twofold and result as a consequence from the thesis conceptual framework as well as from the data sources and methodology used. In the following we will first identify the limitations of the thesis and second outline the avenues for future research directly related to the shortcomings of the thesis as well as focused upon further extensions of the research topic.

The **conceptual framework** limited the study in two ways. First, the framework only included contextual factors that were evolved from theory and extant research findings to be promising in their influence on board composition and structure factors and therefore on the stakeholder relationships applied on the board of directors level. Additionally the chosen factors regarding the individual characteristics of board members and the stakeholder inclusion by board composition were limited by similar assumptions. The inclusion of further relevant characteristics and the development of an empirically grounded set of variables for the study of boards with regard to their stakeholder relationships would be interesting and promising for future research. Second, the conceptual framework consciously excluded the performance implications of stakeholder relationships on the board of directors' level and focused on a more general understanding of benefits and risk reduction potentials instead. Although the results from extant board research focused upon performance outputs from given input factors are ambiguous or weak, the analysis of a stakeholder representation on the board of directors level with regard to performance implications either on board (task performance) or company level (corporate performance) would be interesting and may in combination with the findings from extant board research close the input-output gap and lead to more unequivocal results. Thereby the researchers should take into consideration that performance measurement related to the implications and beneficial outcomes regarding stakeholder relationships should not be short termed. It is more likely that board composition and stakeholder relationships have an influence on corporate performance not until several years.

Apart from these conceptual limitations the **data sources and applied methodology** incurred constraining consequences. The data used for the evaluation of stakeholder relationships on the board of directors' level are mainly based on publicly available

data sources as the annual reports or the internet presence of the company. Low linkages to stakeholders as evaluated by the SMI analysis and the Case study analysis for individual board members or for corporate boards in general may therefore not be related to low linkages of a board member per se but instead to the amount of data and transparency provided by the company regarding the curriculum vitae of its board members. The thesis tried to decrease this lack in data by a further search for individual board member characteristics in the “who is who” and the internet. Although it would be interesting to gain or control data on stakeholder relationships by the board members themselves and how they state their own stakeholder network, perceive the stakeholder network of other board members as well as an analysis of the differences in the stakeholder networks of the company and the board as assumed by the interview partners from expert interviews. This limitation of the study may also have a practical outlook and influence board evaluation processes to include a stakeholder identification and stakeholder network analysis.

Finally the findings on the determinants and particularly on the effects of stakeholder relationships on the board of directors level would be interesting to be broadened in a national as well as international context in order to evaluate similarities and differences between small and big sized companies as well as by different national governance contexts.

10.7 Concluding Remarks

Because directors liability has grown in the last decade board members should be more active and self-interested in an according board composition and in the evaluation of benefit providers that support them in performing its tasks. For this reason boards should pay more attention on the nomination of new board candidates and how their personality, expertise and knowledge as well as stakeholder network fits to the extant board members. Besides the assessment of board performance a regular assessment of the accumulated wealth on boards by its composition including a detailed analysis of stakeholder relationships should be undertaken in addition. By this boards can empower themselves to become by their adequate composition and consciously applied stakeholder relationships a competitive advantage and thereby contribute to the long term competitiveness of the company, the corporate stakeholders and the Swiss economy as a whole. Due to their representation and linking function they can initiate change in the core values of the corporations as well as in the mindsets of managers and corporate shareholders to become more stakeholder oriented and thereby enhance the benefit and risk reduction potential for the sake of all constituencies in the long-term.

We will close this thesis by a statement from expert interview which reflects the motivation of the thesis and the researcher.

Was ich glaube was der Nutzen ist von den Arbeiten, die sie da machen ist. Wenn man verstärkt das Bewußtsein weckt, am Leben hält, vertieft dann wird das verankert und solche dinge werden und sind wesentlich. Das kann dazu führen, dass man sich plötzlich bewußt macht und dann auch darüber redet und es auch formalisiert. Ich unterstelle, das ist nicht

bewiesen, ich habe Indizien, ich unterstelle es passiert zwar effektiv, es passiert aber zu wenig systematisch, [...], es passiert vielleicht auch zu einseitig und gewisse Stakeholder werden zu wenig beachtet aus irgendwelchen Gründen. Aber es passiert schon. Aber nochmal, wenn man es bewußter macht, wenn man realisiert dass das effektiv im Gesamten gesehen auf eine langfristige Sicht eine Komponente ist, die für den Wertschöpfungserfolg wesentlich ist, dann kommt es besser raus. Einverstanden. [G21]

APPENDIX

ANNEX A: SELECTED CORPORATE GOVERNANCE DEFINITIONS

A.1 *Selected CG Definitions by Authors*

Author	Corporate Governance Definition
HILB, M. (2004)	„Corporate governance refers to the mechanisms through which firms are strategically led, organized, controlled and made accountable to investors, customers, employees and the society.“
NOBEL (2003)	„Corporate Governance heisst heute nachdenken über die Rolle, Funktionsweise und Organisation der Privatwirtschaft im gesellschaftlichen Ganzen.“
BÖCKLI (1999)	„Corporate Governace ist einerseits die funktional verstandene Spitzenverfassung, das heisst die sachgerechte Zuteilung der Aufgaben und die zweckmässige Strukturierung der obersten Leitungsorgane, im Gleichgewicht zwischen erfolgsbezogener strategischer Führung und finanziell, betriebswirtschaftlicher Kontrolle.“
DAILY, DALTON, CANNELLA (2003)	„[CG is the] determination of the broad uses to which organizational resources will be deployed and the resolution of conflicts among the myriad participants in organizations.“
KEASEY, THOMPSON, WRIGHT (1997)	„In its narrowest sense, the term [CG] may describe the formal system of accountability of senior management to the shareholders. At its most expansive, the term is stretched to include the entire network of formal and informal relations involving the corporate sector and their consequences for society in general“

Table 41: Overview on selected corporate governance definitions by authors.

A.2 *Selected CG Definitions by Recommendations*

Author	Corporate Governance Definition
CADBURY COMMITTEE (1992)	„Corporate governance is the system by which companies are directed and controlled.“
OECD (2004)	„The Corporate governance Framework should recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financial sound enterprises.“
SWISS CODE OF BEST PRACTICE (2001)	„Corporate governance encompasses the full range of principles directed towards shareholders' interests seeking a good balance between direction and control and transparency at the top company level while maintaining decision-making capacity and efficiency“

Table 42: Overview on selected corporate governance definitions by recommendations.

ANNEX B: SMI COMPANY INTERLOCKS

B.1 Results of SMI Company Interlock Analysis

As already stated 24 company boards with a panel of 254 board members including interlocks were examined by a detailed analysis of the annual reports as well as of the biographical data from a total number of 235 individual board members excluding interlocks. The difference in the number of analyzed versus counted board members is based on the cross linkage of 19 board members, so called interlocking directorships. The following Figure 65 shows these interlocks based on board members that occupy seats on more than one corporate board and thereby provide linkages among the SMI companies.

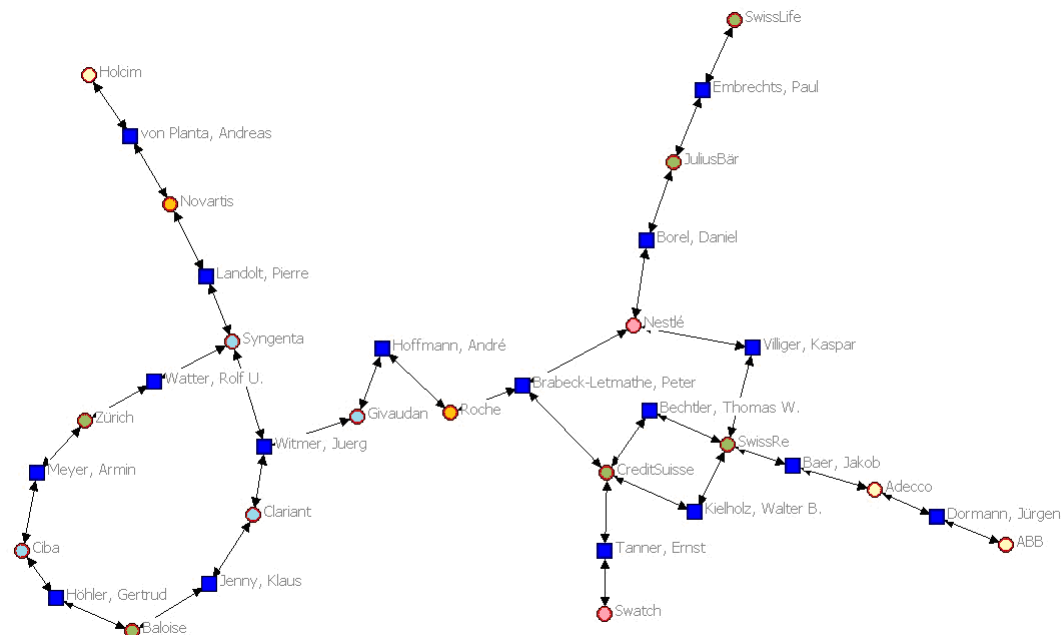


Figure 65: SMI Interlocks

The following analysis of board member interlocks and thereby the relationships to corporate stakeholders included by board members is based on Figure 65 in the appendix. By this rather rough analysis of interlocks among the SMI companies we can identify companies that are more or less interlocked. In the following we will analyze the data due to the strength, the number and kind of relationships and the potential benefits provided to the companies by these interlocks on board level. To analyze the strength of interlocks seems to be important due to the limited number of board members in the Swiss corporate environment. The sharing of one director could therefore be created by chance whereas the relationships between two companies are much tighter when several individuals simultaneously sit on both boards. Among the SMI companies only Crédit Suisse and Swiss Re have a tight relationship by sharing two board members sitting on both boards simultaneously (T. Bechtler and W. Kielholz). All other companies only share single interlocks but differ in the number

and kind of relationships. Crédit Suisse, Nestlé and Syngenta have the highest number of relationships (4), Swiss Re, Roche, Givaudan and Clariant have three relationships, Addecco, Baloise, Ciba, Julius Bär, Novartis and Zurich have two relationships, ABB, Holcim, Swatch and Swiss Life have one relationship whereas UBS, Synthes, Swisscom, Richemont, Nobel Biocare and Lonza have no relationships to other companies in the SMI sample. If these board relationships are consciously formed one would expect that these interlocks are related to inter-corporate business relations and as stated by resource dependency theory therefore are expected to serve the purpose of securing access to critical resources, open up communication channels to important information providers and might help to lower transaction costs (Baker 1990, Uzzi, 1997) but on the other hand these relationships can also be seen as a possibility to enhance power and monitoring over the interlocked company. The benefits of interlocks therefore depend on the direction (who) and the intension (why) the ties have been established. We can illustrate this by the interlocks with banks and financial institutions, which are found to be more interlocked than non-financial firms (Davis/Mizruchi, 1999; Nollert, 1998). Bank interlocks can be interpreted in two different ways. If the ties are intended by the bank or financial institution they are probably an indicator of bank control over the indebted companies (domination and enhanced monitoring or control function). On the other hand if companies invite bank representatives on their board they may facilitate the access and decrease the costs of capital (resource function). But as information on the value and frequency of financial and non-financial transactions between two companies are not publicly available it is difficult to analyze the actual business relation between two interlocked firms. But based on the sample data the findings of former studies can be supported. Financial institutions have the highest number of linkages (15) in comparison to the other industries of the SMI sample and all industries have at least one relationship with financial institutions. Especially for companies in the consumer goods industry the relationships with banks and financial institutions seem to be of high importance (e.g. Nestlé states 3 of 4 interlocks to financial institutions). The centrality of the financial services industry among the SMI companies therefore supports the findings of other researchers who state the centrality of the financial sector in the Swiss economy over the last decades (Rusterholz 1985, Nollert 1998). Additionally, the sample shows a concentration of intra-industry interlocks (Basic Materials 6(12), Financial Institutions 6(15), and Industrials 2(4)). These intra-industry relationships again may be based on the motivation to dominate other companies from the industry that are not included into the network or to strengthen the position of the industry in relation to companies from other industries (empire-building strategy). On the other hand and according to Mizruchi (1996), intra-industry relationships help to reduce uncertainty concerning the corporation's environment (cooptation of directors) or to pacify relations with important resource providers of the whole industry (resource function). In the extreme case, intra-industry networks can eliminate competition between the companies in the same industry completely (Mizruchi (1996) speaks of "collusion" in relation to this type of competition restricting interlocks). By this the reason for interlocks lies not in domination but in building up a "community of interests" (Scott 1985: 9).

Industry	Industry	Interlock	Interlock ALL
Basic Materials	Financials	4	12
	Basic Materials	6	
	Health Care	2	
Consumer Goods	Financials	4	5
	Health Care	1	
Financials	Basic Materials	4	15
	Financials	6	
	Consumer Goods	4	
	Health Care	1	
Health Care	Industrials	1	5
	Basic Materials	2	
	Financials	1	
	Consumer Goods	1	
Industrials	Industrials	2	4
	Health Care	1	
	Financials	1	

Figure 66: Relationships among Industries in the SMI sample

Based on this rather rough analysis of the SMI interlocks we can additionally identify two board members serving as “big linkers” in the SMI sample (P. Brabeck-Letmathe and J. Witmer). We refer to board members as “big linkers” who occupy seats on at least three boards simultaneously. J. Witmer provides strong links among the Basic Materials Industry (intra-industry interlocks), especially in between Syngenta, Clariant and Givaudan. P. Brabeck-Letmathe links Consumer Goods, Health Care and Financial Services (inter-industry interlocks); especially in between Nestlé, Roche and Credit Suisse. In general and according to Useem (1984), big linkers differ, through their intra- and inter-organizational resources and ties, from their single-board colleagues in their broad view of the interests of the business community beyond their individual organization. We therefore assume the companies interlocked by big linkers to be more aware of stakeholder concerns than companies that are less interlocked.

B.2 Data of SMI Company Interlock Analysis

Company	Industry	Company	Industry	Board Member
ABB	Industrials	Adecco	Industrials	Dormann, Jürgen
Adecco	Industrials	SwissRe	Financials	Baer, Jakob
Adecco	Industrials	ABB	Industrials	Dormann, Jürgen
Baloise	Financials	Ciba	Basic Materials	Höhler, Gertrud
Baloise	Financials	Clariant	Basic Materials	Jenny, Klaus
Ciba	Basic Materials	Baloise	Financials	Höhler, Gertrud
Ciba	Basic Materials	Zürich	Financials	Meyer, Armin
Clariant	Basic Materials	Baloise	Financials	Jenny, Klaus
Clariant	Basic Materials	Givaudan	Basic Materials	Witmer, Juerg
Clariant	Basic Materials	Syngenta	Basic Materials	Witmer, Juerg
CreditSuisse	Financials	SwissRe	Financials	Bechtler, Thomas W.
CreditSuisse	Financials	Nestlé	Consumer Goods	Brabeck-Letmathe, Peter
CreditSuisse	Financials	Roche	Health Care	Brabeck-Letmathe, Peter
CreditSuisse	Financials	SwissRe	Financials	Kielholz, Walter B.
CreditSuisse	Financials	Swatch	Consumer Goods	Tanner, Ernst
Givaudan	Basic Materials	Roche	Health Care	Hoffmann, André
Givaudan	Basic Materials	Clariant	Basic Materials	Witmer, Juerg
Givaudan	Basic Materials	Syngenta	Basic Materials	Witmer, Juerg
Holcim	Industrials	Novartis	Health Care	von Planta, Andreas
JuliusBär	Financials	Nestlé	Consumer Goods	Borel, Daniel
JuliusBär	Financials	SwissLife	Financials	Embrechts, Paul
Nestlé	Consumer Goods	JuliusBär	Financials	Borel, Daniel
Nestlé	Consumer Goods	CreditSuisse	Financials	Brabeck-Letmathe, Peter
Nestlé	Consumer Goods	Roche	Health Care	Brabeck-Letmathe, Peter
Nestlé	Consumer Goods	SwissRe	Financials	Villiger, Kaspar
Novartis	Health Care	Syngenta	Basic Materials	Landolt, Pierre
Novartis	Health Care	Holcim	Industrials	von Planta, Andreas
Roche	Health Care	CreditSuisse	Financials	Brabeck-Letmathe, Peter
Roche	Health Care	Nestlé	Consumer Goods	Brabeck-Letmathe, Peter
Roche	Health Care	Givaudan	Basic Materials	Hoffmann, André
Swatch	Consumer Goods	CreditSuisse	Financials	Tanner, Ernst
SwissLife	Financials	JuliusBär	Financials	Embrechts, Paul
SwissRe	Financials	Adecco	Industrials	Baer, Jakob
SwissRe	Financials	CreditSuisse	Financials	Bechtler, Thomas W.
SwissRe	Financials	CreditSuisse	Financials	Kielholz, Walter B.
SwissRe	Financials	Nestlé	Consumer Goods	Villiger, Kaspar
Syngenta	Basic Materials	Novartis	Health Care	Landolt, Pierre
Syngenta	Basic Materials	Zürich	Financials	Watter, Rolf U.
Syngenta	Basic Materials	Clariant	Basic Materials	Witmer, Juerg
Syngenta	Basic Materials	Givaudan	Basic Materials	Witmer, Juerg
Zürich	Financials	Ciba	Basic Materials	Meyer, Armin
Zürich	Financials	Syngenta	Basic Materials	Watter, Rolf U.

Figure 67: Interlocked Companies by Interlocking Directorships of the SMI Sample (Basic Data)

ANNEX C:
CODING LISTS

C.1 Stakeholder Representation Categories

SR		Stakeholder Representation						
SR	Category Label	Description	Knowledge	Board Benefits	STH Relationships	Theory support	Influence on Board Task	Identification and Measurement
DSR1	„shareholder directors“	Board members representing shareholders on corporate boards	Knowledge on shareholders	Include shareholder relationships and shareholder concerns to corporate boards	Direct representation of Shareholders	Agency Theory „shareholder agent“	Monitoring	Major stockholder on corporate boards
DSR2	„stakeholder directors	Board members representing stakeholders (other than shareholders) on corporate boards	Knowledge on stakeholders	Include stakeholder relationships and specific stakeholder concerns to corporate boards	Direct representation of specific stakeholder group	Stakeholder Theory „stakeholder agent“	Service and Strategy	Stakeholder Director as stated by company
IDSR3	„resource directors“	Board members representing important knowledge and resource providers on corporate boards	Various Knowledge resources based on board capital	Include human capital and relational capital and by this the indirect representation of further stakeholders to corporate boards	Indirect representation of stakeholders	Resource Dependency Theory „boundary spanner“	Service and Strategy	All directors of corporate boards

Table 43: Stakeholder Representation Categories

C.2 Board Composition Categories

BC	Board	Board Composition (Aggregated Variables)		
	Category Label	Description	Knowledge	STH Relationships
BC2	Board Capital Diversity	Aggregation of BC2.1-BC2.3	Aggregation of BC2.1-BC2.3	Aggregation of BC2.1-BC2.3
BC2.1	BD Diversity (3 categories)	Diversity in Demography by Aggregation of BD1-3	Directors with relationships and knowledge on stakeholders with similar demographical characteristics	Stakeholder group with similar demographic characteristics
BC2.2	BHC Diversity (7 categories)	Diversity in Human Capital by Aggregation of BHC1-7	Directors with experience and linkages relevant to the firms' resource base and industry structure environment.	Stakeholder group from the resource base and industry structure environment of the company the board member has relationship with
BC2.3	BRC Diversity (9 categories)	Diversity in Relational Capital by Aggregation BRC1-9	Directors with experience and linkages relevant to the firms' socio-political environment.	Stakeholder group from the socio-political arena the board member has relationship with

Table 44: Board Composition Categories

C.3 Board Human Capital Categories

BHC	Director Category Label	Human Capital of Boards				
		Description	Knowledge	Board Benefits from Theory	Direct STH Relationships	Indirect STH Relationships
BHC1	Insider	Directors who serve currently or have served in the past as CEO, manager or employee of the firm.	Expertise and knowledge on the focal firm, its internal structure and processes, the strategic orientation, the culture, the core competencies and products, its market and stakeholder environment	Firm-specific information relevant to the process of ratifying and monitoring strategic decisions by a better opportunity to observe the senior manager and evaluate his or her decisions Supplying the board with information about the firm itself and about its competitive environment	Internal Stakeholders of the focal company Employees Management	Stakeholders from the competitive environment of the company
BHC2	Industry Experts	Directors who serve currently or have served in the past as board member, CEO, manager or employee of a firm in the same industry as the focal firm.	Expertise and knowledge on the focal firms industry, Experience in management and decision making processes	Expertise in the development and to ratify and monitor decisions Sounding board for executives providing advice and council on internal operations Supply alternative viewpoints on internal issues Providing valuable information on how other firms in the same industry deal with similar problems and concerns Opens up links to important current or potential resource providers of the focal company Channel of communication between companies in the same industry	Company the board members has relationship with Competitors Business Partners	Industry based stakeholders Customers Suppliers
BHC3	Business Experts	Directors who serve currently or have served in the past as board member, CEO, manager or employee of a firm from different industry sector as the focal firm.	Experience in management and decision making processes	Expertise in the development and to ratify and monitor decisions Sounding board for executives providing advice and council on internal operations Supply alternative viewpoints on internal issues Providing valuable information on how other firms deal with similar problems and concerns Channel of communication between companies	Company the board members has relationship with	Business environment of the interlocked company
BHC6	Specialists	Directors with educational knowledge essential to strategic decisions or wealth creation processes of	Provide firm-relevant expert knowledge due to education	Provides specialized expertise and knowledge Channel of communication to experts and academics in the specific field of knowledge	Experts Academics	Universities
						Monitoring ↑ Service ↑ to Board Strategy↑
						Monitoring ↑ Service ↑ to Management and Board Strategy↑
						Monitoring ↑ Service ↑ to Management and Board Strategy↑

BHC7	Support Specialists	the focal firm Directors with educational knowledge relevant for general business functioning	Provide specialized expertise relevant for general business functioning (law, business administration, banking, public relations) due to education	Provides specialized expertise and knowledge relevant for general business functioning Channel of communication to experts and academics in the specific field of knowledge and expertise	Experts Academics	Universities	Monitoring ↑ Service ↑ to Management and Board Strategy↑
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Table 45: Board Human Capital Categories.

C.4 Board Relational Capital Categories

BRC		Relational Capital of Boards						
BR	Category Label	Description	Knowledge	Board Benefits	Direct STH Relationships	Indirect STH Relationships	Influence on Board Task	Examples
BRC1	Communities	Directors with linkages to communities.	Expertise and knowledge on specific Community	Provides expertise and knowledge of the specific stakeholder group Channel of communication to stakeholder group	Relationship with specific Community	Communities	Service ↑ to Board Strategy ↑	President Human Rights Watch; Board Member International Women's Forum
BRC2	Unions	Directors with linkages to Unions	Expertise and knowledge on specific Union	Provides expertise and knowledge of the specific stakeholder group Channel of communication to stakeholder group	Relationship with specific Union	Unions	Service ↑ to Board Strategy ↑	Member Travail Suisse; Member Union Syndicale Suisse
BRC3	Economic Institutions	Directors with linkages to Economic Institutions	Expertise and knowledge on specific Economic Institution	Provides expertise and knowledge of the specific stakeholder group Channel of communication to stakeholder group	Relationship with specific Economic Institution	Economic Institutions	Service ↑ to Board Strategy ↑	President Economiesuisse; Consultant NYSE
BRC4	Ecologic Institutions	Directors with linkages to Ecologic Institutions	Expertise and knowledge on specific Ecologic Institution	Provides expertise and knowledge of the specific stakeholder group Channel of communication to stakeholder group	Relationship with specific Ecologic Institution	Ecologic Institutions	Service ↑ to Board Strategy ↑	President of the „Klimarappen“ Foundation; President WWF International
BRC5	Political Institutions	Directors with linkages to Political Institutions	Expertise and knowledge on specific Political Institution	Provides expertise and knowledge of the specific stakeholder group Channel of communication to stakeholder group	Relationship with specific Political Institution	Political Institutions	Service ↑ to Board Strategy ↑	Party Member; Ministers; Ambassadors
BRC6	Cultural Institutions	Directors with linkages to Cultural Institutions	Expertise and knowledge on specific Cultural Institution	Provides expertise and knowledge of the specific stakeholder group Channel of communication to stakeholder group	Relationship with specific Cultural Institution	Cultural Institutions	Service ↑ to Board Strategy ↑	Board Member Festivalorganization; Opera House Board Member; Olympic Committee Member
BRC7	Media and Analysts	Directors with linkages to Media and Analysts	Expertise and knowledge on specific Media and Analysts	Provides expertise and knowledge of the specific stakeholder group Channel of communication to stakeholder group	Relationship with specific Institution	Media and Analysts	Service ↑ to Board Strategy ↑	NZZ Board Member; Employee Television; Financial Analyst
BRC8	Health Institutions	Directors with linkages to Health Institutions	Expertise and knowledge on specific Health Institution	Provides expertise and knowledge of the specific stakeholder group Channel of communication to stakeholder group	Relationship with specific Health Institution	Health Institutions	Service ↑ to Board Strategy ↑	International Funds and Foundations Board Member; Medical Research Centre Leader; Medicinal Professor

Table 46: Board Relationship Capital Categories

C.5 Board Structure Categories

BS	Committee Category Label	Board Structure		
		Description	Knowledge	Board Benefits
BS1	Steering Committees (Monitoring)	Committees as stated by law or recommendation (focused on monitoring functions of boards)	Should be composed of board members with high knowledge and expertise in regard to the monitoring function of the board	Provides Monitoring Advice Channels to Shareholders and Auditors
BS2	Steering Committees (Strategy)	Committees applied in addition to traditional steering committees but focused on Strategy and Administration	Should be composed of board members with high knowledge and expertise in regard to the strategy function of the board	Provides Strategy Advice Channels to Management
BS3	Steering Committees (Service)	Committees applied in addition to traditional steering committees but focused on Service and Expert Knowledge	Should be composed of board members with high knowledge and expertise in regard to the service function of the board	Provides Service Advice Channels to Service and Knowledge Providers
BS4	Steering Committees (Stakeholder)	Committees applied in addition to traditional steering committees but focused on specific stakeholders or CSR, Sustainability	Should be composed of board members with high knowledge and expertise in regard to the specific stakeholders, CSR and Sustainability	Provides Stakeholder Advice Indirect Channels to Stakeholders
BS5	Advisory Committees	Committee with no steering but advisory functions	Composed of external stakeholders with specific knowledge or representation function	Provides Stakeholder Advice Direct Channel to Stakeholders

Table 47: Board Structure Categories.

C.6 Stakeholder Categories

STH Category Label	Definition and Example
Academics	Stakeholder which maintain special risk- and benefit-relations to the company due to their university education (e.g. expert knowledge of researchers).
Analysts	Persons and institutions that analyze a company professionally. The subject of such an analysis can be a financial, social or ecological matter.
Banks	Banks of all categories that act as financial institutions in business to business relations with companies.
Business-Partners	Partners without further specification are summarized here (e.g. joint venture partners).
Competitors	Stakeholder that share a primarily competitive environment with the company. Still there is room for secondary or temporally cooperative relations (e.g. Cooperative Research and Development).
Customers	Clients can act as end-users of the company's products or services or they can have clients themselves as end-users. Different client types often are used to categorize stakeholder-groups. Additionally clients can maintain all four different relation-types on to the company.
Employees	Employees can be categorized into heterogeneous stakeholder-groups by their responsibilities, hierarchy, age, etc. Besides their daily interactions with the company due to their work, all four types of relations can be of relevance.
Experts	Experts have an extremely high knowledge, competence and expertise of a specific subject.
Government	Any governmental institution on any level (be it local or national) has legal power that can affect companies (e.g. operation licences). Additionally they often occur as multipath-stakeholders that has regulatory as well as client relations with the company.
Interest Groups	Groups that have a downright point of interest (e.g. animal welfare) which directly or indirectly affects the company. The term interest-group is often used in stakeholder-definitions.
Local Communities	Groups with local character (e.g. Quartiervereine) that has a relation to the company.
Media	Persons or institutions that represent newspaper, television or other type of public voice.
Owners Shareholders	Persons or institutions that have an owner-, investor- or shareholder-relation to the company what gives them certain rights.
Politicians	Persons that have a background in the political field (e.g. parliamentarian, party members).
Regulators	Instances that issue, control and if necessary enforce regulations for given task areas (e.g. mobile telephone technology).
Unions	In Switzerland this also includes employee-organizations and other social-partners.
Stakeholder gen.	Used when no further classification of the stakeholder mentioned was possible.
Suppliers	Providers that supply the company with products or services (basic materials, semi-finished goods, computers).
Woman	Internal and external female persons that have a gender specific relation-type to the company.

Table 48: Definition and Examples of Stakeholder-Category Labels

ANNEX D: DATA SOURCES

D.1 Data Sources SMI

Encoded Documents SMI

SMI	Case #	Company	Name	ID
	1	ABB	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_AB_01
	2	Adecco	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_AD_02
	3	Baloise	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_BA_03
	4	Ciba	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_CI_04
	5	Clariant	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_CL_05
	6	Credit Suisse	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_CS_06
	7	Givaudan	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_GI_07
	8	Holcim	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_HO_08
	9	Julius Bär	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_JB_09
	10	Lonza	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_LO_10
	11	Nestlé	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_NE_11
	12	NobelBiocare	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_NB_12
	13	Novartis	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_NO_13
	14	Richemont	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_RI_14
	15	Roche	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_RO_15
	16	SGS	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_SG_16
	17	Swatch	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_SW_17
	18	Swisscom	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_SC_18
	19	SwissLife	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_SL_19
	20	SwissRe	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_SR_20
	21	Syngenta	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_SG_21
	22	Synthes	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_ST_22
	23	UBS	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_UB_23
	24	Zürich	Annual Report 2006 // Sustainability/CSR Report 2006 // Homepage 20.08.2007	SMI_D_ZU_24

D.2 Data Sources Case Study

Overall

ALL COMPANIES (Suva, Swisscom, Swiss Re)	
Number of Documents	54
Number of Interviews	34

Overview Suva

SUVA Schweizerische Unfallversicherungsanstalt	
Number of Documents	13
Number of Interviews	11

Encoded Interviews Suva

Case	#	Date	Function	ID
SUVA	1	09-05-2006	Head Corporate Development of Suva	SUVA_IN_FH_01
	2	09-05-2006	Agency Manager of Suva	SUVA_IN_DR_02
	3	09-05-2006	Head of Public Relations of Suva	SUVA_IN_MB_03
	4	09-05-2006	Head Public Affairs of Suva	SUVA_IN_JF_04
	5	09-05-2006	Vice-president of Suva	SUVA_IN_UF_05
	6	09-05-2006	Head HRM of Suva	SUVA_IN_RK_06
	7	09-05-2006	Head Medical of Suva	SUVA_IN_CL_07
	8	09-05-2006	Management of Suva	SUVA_IN_EM_08
	9	09-05-2006	Agency Manager of Suva	SUVA_IN_RM_09
	10	09-05-2006	Management of Suva	SUVA_IN_WM_10
	11	09-05-2006	CFO of Suva	SUVA_IN_HN_11

Encoded Documents Suva

Case	#	Author	Name	ID
SUVA	1	Suva	Bericht der Arbeitsgruppe "Zukunft der Suva" an das EDI_02	SUVA_D_01
	2	Suva	75JahreSuva	SUVA_D_02
	3	Suva	Geschäftsbericht 2004-2006	SUVA_D_03
	4	Suva	Geschichte	SUVA_D_04
	5	Suva	Kundenzufriedenheit und Servicequalität	SUVA_D_05
	6	Suva	Leitbild	SUVA_D_06
	7	Suva	Sebe05_01-08	SUVA_D_07
	8	Suva	Serto	SUVA_D_08
	9	Suva	Sponsoring-Konzept der Suva	SUVA_D_09
	10	Suva	Standortbestimmungen	SUVA_D_10
	11	Suva	Überblick	SUVA_D_11
	12	Suva	Umweltbericht 2003-2006	SUVA_D_12
	13	Suva	Verwaltungsrat 2006	SUVA_D_13

Overview Swisscom

SWISSCOM	
Swisscom AG	
Number of Documents	19
Number of Interviews	13

Encoded Interviews Swisscom

Case	#	Date	Function	ID
SWISSCOM	1	04-06-2004	Manager Strategy & Group Steering	SWISSCOM_IN_GP_01
	2	07-06-2004	Head of Operations and Related Business	SWISSCOM_IN_JR_02
	3	07-06-2004	Manager Mobile Communications	SWISSCOM_IN_US_03
	4	10-06-2004	Manager Strategy & Group Steering	SWISSCOM_IN_HH_04
	5	10-06-2004	Manager Human Resources	SWISSCOM_IN_RK_05
	6	10-06-2004	Head of Corporate Responsibility	SWISSCOM_IN_AK_06
	7	14-06-2004	CEO of Sunrise	SWISSCOM_IN_JA_07
	8	21-06-2004	Head of Public Affairs	SWISSCOM_IN_DR_08
	9	21-06-2004	Head of Group Client Management	SWISSCOM_IN_JV_09
	10	23-06-2004	Head of Investor Relations	SWISSCOM_IN_BM_10
	11	23-06-2004	Chief Finance Officer	SWISSCOM_IN_UD_11
	12	23-06-2004	Chief Communication Officer	SWISSCOM_IN_SN_12
	13	23-06-2004	Former Head of Public Affairs	SWISSCOM_IN_RK_13

Encoded Documents Swisscom

Case	#	Author	Name	ID
SWISSCOM	1	Swisscom	Swisscom press release	SWISSCOM_D_01
	2	Swisscom	Corporate social responsibility report	SWISSCOM_D_02
	3	Swisscom	Brochure mobile communication	SWISSCOM_D_03
	4	Swisscom	Letter to shareholders	SWISSCOM_D_04
	5	Swisscom	Company brochure	SWISSCOM_D_05
	6	Swisscom	Document about company history	SWISSCOM_D_06
	7	Swisscom	Article about stakeholder relationships	SWISSCOM_D_07
	8	Swisscom	Organization chart	SWISSCOM_D_08
	9	Swisscom	Swisscom annual report	SWISSCOM_D_09
	10	Swisscom	Swisscom press release	SWISSCOM_D_10
	11	Swisscom	Corporate social responsibility report	SWISSCOM_D_11
	12	Swisscom	Brochure mobile communication	SWISSCOM_D_12
	13	Swisscom	Letter to shareholders	SWISSCOM_D_13
	14	Swisscom	Internal presentation	SWISSCOM_D_14
	15	Swisscom	Policy toward unions	SWISSCOM_D_15
	16	Swisscom	Organizational rules	SWISSCOM_D_16
	17	Swisscom	Swisscom values (Swisscommons)	SWISSCOM_D_17
	18	Swisscom	Stakeholder map	SWISSCOM_D_18
	19	Swisscom	Stakeholder evaluation	SWISSCOM_D_19

Overview Swiss Re

SWISS RE	
Schweizerische Rückversicherungsgesellschaft AG	
Number of Documents	22
Number of Interviews	10

Table 49: Overview and Comparison of the Cases – Data Sources.

Encoded Interviews Swiss Re

Case	#	Date	Function	ID
SWISS RE	1	29-08-2003	Head Strategy Development	SWISSRE_IN_RD_01
	2	05-09-2003	Managing Director	SWISSRE_IN_FG_02
	3	08-09-2003	Director	SWISSRE_IN_AS_03
	4	11-09-2003	Co-Head Corporate Risk Underwriting, Managing Director	SWISSRE_IN_HF_04
	5	16-09-2003	Head Diversity Management	SWISSRE_IN_HT_05
	6	23-09-2003	Asia Life & Health, Member of the Executive Board	SWISSRE_IN_JC_06
	7	29-09-2003	Head of Corporate Communications	SWISSRE_IN_KS_07
	8	01-10-2003	Deputy Chief Executive Officer	SWISSRE_IN_RK_08
	9	02-10-2003	Head of Swiss Re's Americas P&C business	SWISSRE_IN_PO_09
	10	17-10-2003	Chief Operating Officer	SWISSRE_IN_LA_10

Encoded Documents Swiss Re

Case	#	Author	Name	ID
SWISS RE	1	SwissRe	Annual Reports 2000 - 2006	SWISSRE_D_01
	2	SwissRe	Capitalising on change: How Swiss Re has built a global firm	SWISSRE_D_02
	3	SwissRe	Code of conduct	SWISSRE_D_03
	4	SwissRe	Corporate governance	SWISSRE_D_04
	5	SwissRe	Corporate history 1848 to today	SWISSRE_D_05
	6	SwissRe	Corporate philosophy	SWISSRE_D_06
	7	SwissRe	Corporate sponsoring	SWISSRE_D_07
	8	SwissRe	Group balanced scorecard map	SWISSRE_D_08
	9	SwissRe	Guiding principles	SWISSRE_D_09
	10	SwissRe	Hitting targets	SWISSRE_D_10
	11	SwissRe	Image survey 02/03	SWISSRE_D_11
	12	SwissRe	Insurance training center	SWISSRE_D_12
	13	SwissRe	Internal control system	SWISSRE_D_13
	14	SwissRe	New corporate philosophy	SWISSRE_D_14
	15	SwissRe	Profile: A world leader in reinsurance	SWISSRE_D_15
	16	SwissRe	Rüschlikon	SWISSRE_D_16
	17	SwissRe	Societal sustainability: Action	SWISSRE_D_17
	18	SwissRe	Societal sustainability: Strategy	SWISSRE_D_18
	19	SwissRe	Sustainability report 2002-2006	SWISSRE_D_19
	20	SwissRe	The world by Swiss Re	SWISSRE_D_20
	21	SwissRe	Top fit company	SWISSRE_D_21
	22	SwissRe	Top topics	SWISSRE_D_22

D.3 Data Sources Interviews

Encoded Expert Interviews

Case #	Date	Function	ID
EXPERTS	1	29-09-2007	Legal / Board Member Perspective (Internal/Academic)
	2	03-11-2007	Shareholder / Board Member Perspective (External/Professional)
	3	05-10-2007	Professional / Board Member Perspective (Internal/Professional)
	4	15-10-2007	Stakeholder / Board Member Perspective (External/Academic)

EXPERT_IN_N_I
Appendix G
Section G.2
Citations: N1-N32
EXPERT_IN_G_II
Appendix G
Section G.3
Citations: G1-G29
EXPERT_IN_L_III
Appendix G
Section G.4
Citations: L1-L27
EXPERT_IN_R_IV
Appendix G
Section G.5
Citations: R1-R23

ANNEX E: SMI DATA

E.1 Relationship Capital Overview

BC-RC	Overall Board & Company	Relationships (RC)		
		Distribution of Frequencies Company	Distribution of Frequencies Sample	Distribution of Frequencies Industry
ABB	8 BM (low) 13 Hits Dim. (2.29%, low) 1.63 linkages/BM (low) Industrials	Low Heterogeneity (5/12 Dims covered) Highest importance on: Economic Inst. (4/13 Hits, 31%) and Educational Inst. (4/13 Hits, 31%) Further focused (above avg of company) on: Political Inst (2/13 Hits, 15%) Health Inst (2/13 Hits, 15%)	Further focused (above avg of all companies) on: Economic Inst (31%/12%; +19%) Political Inst (15%/7%; +8%) Health Inst (15%/6%; +9%)	Highest ranking within Industry: Economic Inst (31%/9%; +22%) Political Ins (15%/6%; +9%) Further focus on (above avg of industry): Educational Inst (31%/31%; +0%)
Adecco	9 BM (low) 20 Hits Dim. (3.53%, low) 2.22 linkages/BM (high) Industrials	High Heterogeneity (9/12 Dims covered) Highest importance on: Community Inst (4/20 Hits, 20%) and Cultural Inst (4/20 Hits, 20%) Further focused (above avg of company) on: Political Inst (2/20 Hits, 10%) Celeb/Title (3/20 Hits, 15%) Educational Inst (3/20 Hits, 15%)	Further focused (above avg of all companies) on: Ecologic Inst (5%/2%; +3%) Political Inst (10%/7%; +3%) Community Inst (20%/9%; +11%) Celeb/Title (15%/4%; +11%) Cultural Inst (20%/9%; +11%) Media (5%/3%; +2%)	Highest ranking within Industry: Ecologic Inst (5%/1%; +4%) Celeb/Title (15%/5%; +10%) Media (5%/1%; +4%) Further focus on (above avg of industry): Political Inst (10%/6%; +4%) Community inst (20%/19%; +1%) Health Inst (5%/5%; +0%) Cultural Inst (20%/19%; +1%)
Baloise	10 BM (low) 10 Hits Dim. (1.76%, low) 1 linkages/BM (low) Financials	High Heterogeneity (6/12 Dims covered) Highest importance on: Economic Inst (3/10 Hits, 30%) and Political Inst (3/10 Hits, 30%) Further focused (above avg of company) on: Regulator (1/10 Hits, 10%) Community Inst (1/10 Hits, 10%) Educational Inst (1/10 Hits, 10%) Health Inst (1/10 Hits, 10%)	Highest ranking company in the sample on Political Inst (3/10 Hits, 30%/7%, +23%) Further focused (above avg of all companies) on: Regulator (10%/5%; +5%) Community Inst (10%/9%; +1%) Health Inst (10%/6%; +4%)	Highest ranking within Industry: Political Inst (30%/10%; +20%) Health Inst (10%/4%; +6%) Further focus on (above avg of industry): Regulator (10%/9%; +1%) Economic Inst (30%/18%; +12%)
Ciba	8 BM (low) 22 Hits Dim. (3.88%, low) 2.75 linkages/BM (high) Basic Materials	Low High Heterogeneity (5/12 Dims covered) Highest importance on: Educational Inst (13/22 Hits, 59%) Further focused (above avg of company) on: Economic Inst (3/22 Hits, 14%) Celeb/Title (4/22 Hits, 18%)	Further focused (above avg of all companies) on: Economic Inst (14%/12%; +2%) Celeb/Title (18%/4%; +14%) Educational Inst (59%/41%; +18%)	Highest ranking within Industry: Political Inst (5%/2%; +3%) Celeb/Title (18%/5%; +13%) Further focus on (above avg of industry): Economic Inst (14%/11%; +3%) Educational Inst (59%/57%; +2%) Health Inst (5%/3%; +2%)
Clariant	8 BM (low) 3 Hits Dim. (0.53%, low) 0.38 linkages/BM (low) Basic Materials	Low Heterogeneity (2/12 Dims covered) Highest importance on: Educational Inst (2/3 Hits, 67%) Further focused (above avg of company) on: Community Inst (1/3 Hits, 33%)	Further focused (above avg of all companies) on: Community Inst (33%/7%; +26%) Educational Inst (67%/41%; +26%)	Highest ranking within Industry: Community Inst (33%/8%; +25%) Educational Inst (67%/57%; +10%)

Credit Suisse	14 BM (high) 49 Hits Dim. (8.64%, high) 3.50 linkages/BM (high) Financials	High Heterogeneity (8/12 Dims covered) Highest importance on: Economic Inst (18/49 Hits, 37%) Further focused (above avg of company) on: Community Inst (8/49 Hits, 16%) Educational Inst (7/49 Hits, 14%) Cultural Inst (7/49 Hits, 14%)	Highest ranking company in the sample on Economic Inst (18/49 Hits, 37%/12%, +25%) Further focused (above avg of all companies) on: Ecologic Inst (4%/2%; +2%) Community Inst (16%/9%; +8%) Health Inst (6%/6%; +0%) Cultural Inst (14%/9%; +5%)	Highest ranking within Industry: Economic Inst (37%/18%; +19%) Ecologic Inst (4%/1%; +3%) Community Inst (16%/7%; +9%) Further focus on (above avg of industry): Health Inst (6%/4%; +2%) Cultural Inst (14%/6%; +8%)
Givaudan	7 BM (low) 19 Hits Dim. (3.35%, low) 2.71 linkages/BM (high) Basic Materials	Low Heterogeneity (4/12 Dims covered) Highest importance on: Educational Inst (9/19 Hits, 47%) Further focused (above avg of company) on: Economic Inst (4/19 Hits, 21%) Ecologic Inst (3/19 Hits, 16%) Cultural Inst (3/19 Hits, 16%)	Highest ranking company in the sample on Ecologic Inst (3/19 Hits, 16%/2%, +14%) Further focused (above avg of all companies) on: Economic Inst (21%/12%; +9%) Educational Inst (47%/41%; +6%) Cultural Inst (16%/9%; +7%)	Highest ranking within Industry: Economic Inst (21%/11%; +10%) Ecologic Inst (16%/6%; +10%) Cultural Inst (16%/6%; +10%)
Holcim	13 BM (high) 17 Hits Dim. (3.00%, low) 1.31 linkages/BM (low) Industrials	Low Heterogeneity (4/12 Dims covered) Highest importance on: Educational Inst (13/17 Hits, 76%) Further focused (above avg of company) on: Regulator (2/17 Hits, 12%)	Further focused (above avg of all companies) on: Regulator (12%/5%; +7%) Celeb/Title (6%/4%; +2%) Educational Inst (76%/41%; +35%)	Highest ranking within Industry: Regulators (12%/3%; +9%) Educational Inst (76%/31%; +45%) Further focus on (above avg of industry): Celeb/Title (6%/5%; +1%)
Julius Bär	9 BM (low) 8 Hits Dim. (1.41%, low) 0.89 linkages/BM (low) Financials	Low Heterogeneity (1/12 Dims covered) Highest importance on: Educational Inst (8/8 Hits, 100%)	Highest ranking company in the sample on Educational Inst (8/8 Hits, 100%/41%, +59%)	Highest ranking within Industry: Educational Inst (100%/36%; +64%)
Lonza	6 BM (low) 20 Hits Dim. (3.53%, low) 3.33 linkages/BM (high) Basic Materials	High Heterogeneity (6/12 Dims covered) Highest importance on: Educational Inst (13/20 Hits, 65%) Further focused (above avg of company) on: Economic Inst (3/8 Hits, 15%)	Further focused (above avg of all companies) on: Economic Inst (15%/12%; +3%) Celeb/Title (5%/4%; +1%) Educational Inst (65%/41%; +24%)	Highest ranking within Industry: Political Inst (5%/2%; +3%) Further focus on (above avg of industry): Economic Inst (15%/11%; +4%) Celeb/Title (5%/5%; +0%) Educational Inst (65%/57%; +8%) Health Inst (5%/3%; +2%)
Nestlé	16 BM (highest) 53 Hits Dim. (9.35%, high) 3.31 linkages/BM (high) Consumer Goods	High Heterogeneity (9/12 Dims covered) Highest importance on: Educational (18/53 Hits, 34%) Further focused (above avg of company) on: Economic Inst (8/53 Hits, 15%) Political Inst (7/53 Hits, 13%) Cultural Inst (5/53 Hits, 9%)	Further focused (above avg of all companies) on: Regulator (6%/5%; +1%) Economic inst (15%/12%; +3%) Political Inst (13%/7%; +6%) Health Inst (6%/6%; +0%) Cultural Inst (9%/9%; +0%) Media (8%/3%; +5%)	Highest ranking within Industry: Regulator (6%/2%; +4%) Political Inst (13%/11%; +2%) Educational Inst (34%/27%; +7%) Media (8%/3%; +5%) Further focus on (above avg of industry): Community Inst (8%/8%; +0%)
NobelBiocare	9 BM (low) 10 Hits Dim. (1.76%, low) 1.11 linkages/BM (low) Health Care	Low Heterogeneity (3/12 Dims covered) Highest importance on: Educational (7/10 Hits, 70%) Further focused (above avg of company) on: Unions (1/10 Hits, 10%) Health Inst (2/10 Hits, 20%)	Highest ranking company in the sample on Health Inst (2/10 Hits, 20%/6%, +14%) Further focused (above avg of all companies) on: Unions (10%/1%; +9%) Educational Inst (70%/41 +29%)	Highest ranking within Industry: Unions (10%/3%; +7%) Further focus on (above avg of industry): Health Care (70%/60%; +10%)

Novartis	14 BM (high) 43 Hits Dim. (7.58%, high) 3.04 linkages/BM (high) Health Care	High Heterogeneity (8/12 Dims covered) Highest importance on: Educational Inst (20/43 Hits, 47%) Further focused (above avg of company) on: Community Inst (4/43 Hits, 9%) Health Inst (8/43 Hits, 19%)	Further focused (above avg of all companies) on: Ecological Inst (7%/2%; +5%) Community Inst (9%/9%; +0%) Educational Inst (47%/41%; +6%) Health Inst (19%/6%; +13%)	Highest ranking within Industry: Ecologic Inst (7%/3%; +4%) Media (2%/1%; +1%) Further focus on (above avg of industry): Economic Inst (7%/5%; +2%) Community Inst (9%/5%; +4%) Cultural Inst (7%/4%; +3%)
Richemont	16 BM (high) 27 Hits Dim. (4.76%, high) 1.69 linkages/BM (low) Consumer Goods	High Heterogeneity (7/12 Dims covered) Highest importance on: Educational Inst (7/27 Hits, 26%) Further focused (above avg of company) on: Economic Inst (6/27 Hits, 22%) Political Inst (33/27 Hits, 11%) Health Inst (4/27 Hits, 15%) Cultural Inst (3/27 Hits, 11%)	Further focused (above avg of all companies) on: Economic Inst (22%/12%; +10%) Ecologic Inst (7%/2%; +5%) Political Inst (11%/7%; +XX%) Health Inst (15%/6%; +9%) Cultural Inst (11%/9%; +2%)	Highest ranking within Industry: Economic Inst (22%/16%; +6%) Ecologic Inst (7%/2%; +5%) Health Inst (15%/7%; +8%) Further focus on (above avg of industry): Political Inst (11%/11%; +0%)
Roche	15 BM (high) 63 Hits Dim. (11.11%, highest) 4.2 linkages/BM (high) Health Care	High Heterogeneity (8/12 Dims covered) Highest importance on: Political Inst (16/63 Hits, 25%) and Educational Inst (16/63 Hits, 25%) Further focused (above avg of company) on: Economic Inst (8/63 Hits, 13%) Community Inst (6/63 Hits, 10%) Health Inst (6/63 Hits, 10%) Cultural Inst (6/63 Hits, 10%)	Further focused (above avg of all companies) on: Regulator (5%/5%; +0%) Economic inst (13%/12%; +1%) Ecologic (3%/2%; +1%) Political Inst (25%/7%; +18%) Community Inst (10%/9%; +1%) Health Inst (10%/6%; +4%) Cultural Inst (10%/9%; +1%)	Highest ranking within Industry: Regulator (5%/1%; +4%) Economic Inst (13%/5%; +8%) Political Inst (25%/7%; +18%) Community Inst (10%/5%; +5%) Cultural Inst (10%/4%; +6%) Further focus on (above avg of industry): Ecologic Inst (3%/3%; +0%)
SGS	7 BM (low) 2 Hits Dim. (0.35%, low) 0.29 linkages/BM (low) Industrials	Low Heterogeneity (2/12 Dims covered) Highest importance on: Community Inst (1/2 Hits, 50%) and Cultural Inst (1/2 Hits, 50%)	Highest ranking company in the sample on Community Inst (1/2 Hits, 50%/9%, +41%) and Cultural Inst (1/2 Hits, 50%/9%, +41%)	Highest ranking within Industry: Community Inst (50%/19%; +31%) Cultural Inst (50%/19%; +31%)
Swatch	8 BM (low) 10 Hits Dim. (1.76%, low) 1.25 linkages/BM (low) Consumer Goods	High Heterogeneity (6/12 Dims covered) Highest importance on: Cultural Inst (3/10 Hits, 30%) Further focused (above avg of company) on: Economic Inst (1/10 Hits, 10%) Political Inst (1/10 Hits, 10%) Celeb/Title (2/10 Hits, 20%) Educational Inst (2/10 Hits, 20%)	Highest ranking company in the sample on Celeb/Title (2/10 Hits, 20%/4%, +16%) Further focused (above avg of all companies) on: Political Inst (10%/7%; +13%) Community Inst (10%/9%; +1%) Community Inst (30%/9%; +21%)	Highest ranking within Industry: Community Inst (10%/8%; +2%) Celeb/Title (20%/7%; +13%) Cultural Inst (30%/17%; +13%)
Swisscom	10 BM (low) 37 Hits Dim. (6.53%, high) 3.70 linkages/BM (high) Telecom	Highest Heterogeneity (10/12 Dims covered) Highest importance on: Unions (6/37 Hits, 16%) and Regulators (6/37 Hits, 16%) and Community Inst (6/37 Hits, 16%) and Media (6/37 Hits, 16%) and Further focused (above avg of company) on: Educational Inst (4/37 Hits, 11%)	Highest ranking company in the sample on Unions (6/37 Hits, 16%/1%, +15%) Further focused (above avg of all companies) on: Regulator (16%/5%; +11%) Community Inst (16%/9%; +7%) Media (16%/3%; +13%)	There is only one company in the Telecom industry. Comparison within industry therefore is not possible.

SwissLife	9 BM (low) 28 Hits Dim. (4.94%, high) 3.11 linkages/BM (high) Financials	High Heterogeneity (7/12 Dims covered) Highest importance on: Regulators (8/28 Hits, 29%) and Educational Inst (8/28 Hits, 29%) Further focused (above avg of company) on: Political Inst (3/28 Hits, 11%) Community Inst (3/28 Hits, 11%)	Highest ranking company in the sample on Regulators (8/28 Hits, 29%/5%, +24%) Further focused (above avg of all companies) on: Political Inst (11%/7%; +4%) Community Inst (11%/9%; +2%) Health Inst (7%/6%; +1%)	Highest ranking within Industry: Regulator (29%/9%; +20%) Further focus on (above avg of industry): Political Inst (11%/10%; +1%) Community Inst (11%/7%; +4%) Health Inst (7%/4%; +3%) Cultural Inst (7%/4%; +3%)
SwissRe	13 BM (high) 60 Hits Dim. (10.58%, high) 4.62 linkages/BM (highest) Financials	High Heterogeneity (9/12 Dims covered) Highest importance on: Educational (14/60 Hits, 23%) Further focused (above avg of company) on: Regulator (11/60 Hits, 18%) Economic Inst (13/60 Hits, 22%) Political (6/60 Hits, 10%) Celeb/Title (10/60 Hits, 17%)	Further focused (above avg of all companies) on: Regulator (18%/5%; +13%) Economic Inst (22%/12%; +10%) Political Inst (10%/7%; +3%) Celeb/Title (17%/4%; +13%)	Highest ranking within Industry: Celeb/Title (17%/2%; +15%) Further focus on (above avg of industry): Regulator (18%/9%; +9%) Economic Inst (22%/18%; +4%) Ecologic Inst (2%/1%; +1%) Political Inst (10%/10%; +0%)
Syngenta	11 BM (high) 13 Hits Dim. (2.29%, low) 1.18 linkages/BM (low) Basic Materials	High Heterogeneity (7/12 Dims covered) Highest importance on: Educational Inst (6/13 Hits, 46%) Further focused (above avg of company) on: Ecologic Inst (2/15 Hits, 15%)	Further focused (above avg of all companies) on: Regulator (8%/5%; +3%) Ecological Inst (15%/2%; +13%) Educational Inst (46%/41%; +5%) Health Inst (8%/6%; +2%)	Highest ranking within Industry: Regulator (8%/2%; +6%) Health Inst (8%/3%; +5%) Further focus on (above avg of industry): Ecologic Inst (15%/6%; +9%) Community Inst (8%/8%; +0%) Cultural Inst (8%/6%; +2%)
Synthes	10 BM (low high) 2 Hits Dim. (0.35%, low high) 0.2 linkages/BM (low high) Health Care	Low Heterogeneity (1/12 Dims covered) Highest importance on: Educational Inst (1/1 Hits, 100%)	Highest ranking company in the sample on Educational Inst (1/1 Hits, 100%/41%, +59%)	Highest ranking within Industry: Educational Inst (100%/60%; +40%)
UBS	12 BM (high) 2 Hits Dim. (0.35%, low) 0.17 linkages/BM (low) Financials	Low Heterogeneity (2/12 Dims covered) Highest importance on: Educational Inst (1/2 Hits, 50%) and Media (1/2 Hits, 50%)	Highest ranking company in the sample on Media (1/2 Hits, 50%/3%, +47%) Further focused (above avg of all companies) on: Educational Inst (50%/41%; +9%)	Highest ranking within Industry: Media (50%/7%; +43%) Further focus on (above avg of industry): Educational (50%/36%; +14%)
Zürich	12 BM (high) 36 Hits Dim. (6.35%, high) 3 linkages/BM (high) Financials	Heterogeneity (7/12 Dims covered) Highest importance on: Economic Inst (10/36 Hits, 28%) Further focused (above avg of company) on: Political Inst (4/36 Hits, 11%) Educational Inst (9/36 Hits, 25%) Cultural Inst (6/36 Hits, 17%)	Further focused (above avg of all companies) on: Regulator (6%/5%; +1%) Economic Inst (28%/12%; +16%) Political Inst (11%/7%; +4%) Health Inst (6%/6%; +0%) Cultural Inst (17%/9%; +8%)	Highest ranking within Industry: Cultural Inst (17%/6%; +11%) Further focus on (above avg of industry): Economic Inst (28%/18%; +10%) Political Inst (11%/10%; +1%) Community Inst (8%/7%; +1%) Health Inst (6%/4%; +2%)

Figure 68: Overview on RC hits.

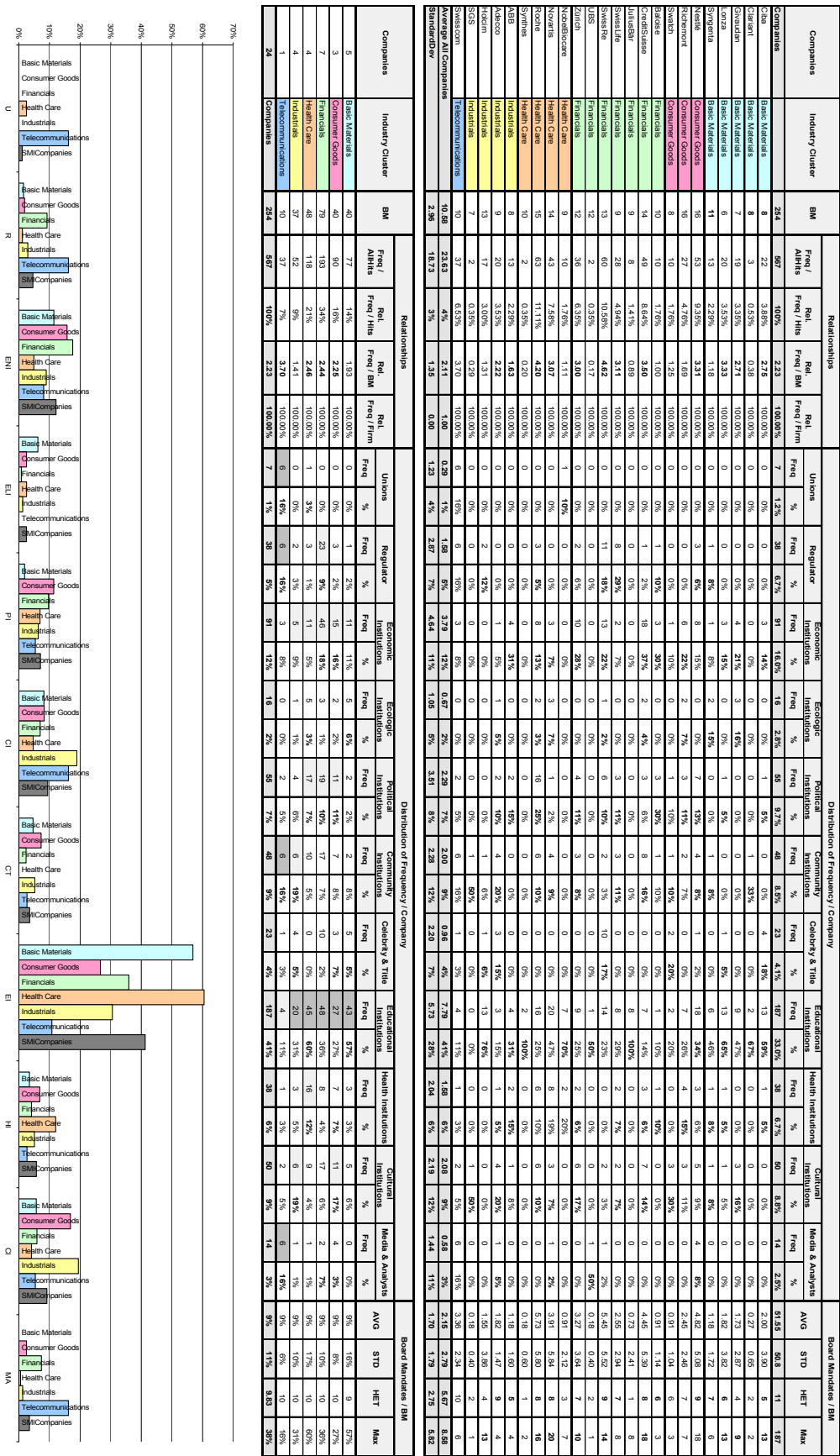
E.2 Relationship Capital by Company

Companies	Industry Cluster	BM	Hits				Distribution of Frequency / Company																Board Mandates / BM									
			Freq / AllHits	Rel. Freq / Hits	Rel. Freq / BM	Rel. Freq / Firm	Unions		Regulator		Economic Institutions		Ecologic Institutions		Political Institutions		Community Institutions		Celebrity & Title		Educational Institutions		Health Institutions		Cultural Institutions		Media & Analysts		AVG	STD	HET	Max
							Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%				
Companies		254	567	100.00%	2.23	100.00%	7	1.2%	38	6.7%	91	16.0%	16	2.8%	55	9.7%	48	8.5%	23	4.1%	187	33.0%	38	6.7%	50	8.9%	14	2.5%	51.55	50.8	11	187
ABB	Industrials	8	13	2.29%	1.63	100.00%	0	0%	0	0%	4	31%	0	0%	2	15%	0	0%	0	0%	4	31%	2	15%	1	8%	0	0%	1.18	1.60	5	4
Adiaeco	Industrials	9	20	3.53%	2.22	100.00%	0	0%	0	0%	1	5%	1	8%	2	10%	4	20%	3	15%	3	15%	1	5%	4	20%	1	5%	1.82	1.47	9	4
Balocco	Financials	10	10	1.76%	1.00	100.00%	0	0%	1	10%	3	30%	0	0%	3	30%	1	10%	1	10%	1	10%	1	10%	0	0%	0	0%	0.91	1.14	6	3
Ciba	Basic Materials	8	22	3.88%	2.75	100.00%	0	0%	0	0%	3	14%	0	0%	1	5%	0	0%	4	18%	13	89%	1	5%	0	0%	0	0%	2.00	3.90	5	13
Clariant	Basic Materials	8	3	0.53%	0.38	100.00%	0	0%	0	0%	0	0%	0	0%	0	0%	1	33%	0	0%	2	67%	0	0%	0	0%	0	0%	0.27	0.65	2	2
Credit Suisse	Financials	14	49	8.64%	3.60	100.00%	0	0%	1	2%	18	37%	2	4%	3	6%	8	16%	0	0%	7	14%	3	6%	7	14%	0	0%	4.45	5.39	8	18
Gerdau	Basic Materials	7	19	3.35%	2.71	100.00%	0	0%	0	0%	4	21%	3	16%	0	0%	0	0%	0	0%	9	47%	0	0%	3	16%	0	0%	1.73	2.87	4	9
Hörmir	Industrials	13	17	3.00%	1.31	100.00%	0	0%	2	12%	0	0%	0	0%	0	0%	1	6%	1	6%	13	76%	0	0%	0	0%	0	0%	1.55	3.86	4	13
JuwiStar	Financials	9	8	1.41%	0.89	100.00%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	8	100%	0	0%	0	0%	0	0%	0.73	2.41	1	8
Loraz	Basic Materials	6	20	3.53%	3.33	100.00%	0	0%	0	0%	3	15%	0	0%	1	5%	0	0%	1	5%	13	65%	1	5%	1	5%	0	0%	1.82	3.82	6	13
Nestlé	Consumer Goods	16	53	9.35%	3.31	100.00%	0	0%	3	6%	8	15%	0	0%	7	13%	4	8%	1	2%	18	34%	3	6%	5	9%	4	6%	4.82	5.08	9	18
NordBorealis	Health Care	9	10	1.76%	1.11	100.00%	1	10%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	7	70%	2	20%	0	0%	0	0%	0.91	2.12	3	7
Norvita	Health Care	14	43	7.68%	3.07	100.00%	0	0%	0	0%	3	7%	3	7%	1	2%	4	9%	0	0%	20	47%	6	19%	3	7%	1	2%	3.91	5.84	8	20
Reinmont	Consumer Goods	16	27	4.78%	1.69	100.00%	0	0%	0	0%	6	22%	2	7%	3	11%	2	7%	0	0%	7	26%	4	15%	3	11%	0	0%	2.45	2.48	7	7
Roche	Health Care	15	63	11.11%	4.20	100.00%	0	0%	3	5%	8	13%	2	3%	16	25%	6	10%	0	0%	16	25%	6	10%	6	10%	0	0%	5.73	8.60	8	16
S&S	Industrials	7	2	0.35%	0.29	100.00%	0	0%	0	0%	0	0%	0	0%	0	0%	1	50%	0	0%	0	0%	0	0%	0	0%	0	0%	0.18	0.40	2	1
Swatch	Consumer Goods	8	10	1.76%	1.25	100.00%	0	0%	0	0%	1	10%	0	0%	1	10%	1	10%	2	20%	2	20%	0	0%	3	30%	0	0%	0.91	1.04	6	3
Swisscom	Telecommunications	10	37	6.53%	3.70	100.00%	6	16%	6	16%	3	8%	0	0%	2	5%	6	16%	1	3%	4	11%	1	3%	2	5%	6	16%	3.36	2.34	10	6
SwissLife	Financials	9	28	4.94%	3.11	100.00%	0	0%	8	29%	2	7%	0	0%	3	11%	3	11%	0	0%	8	29%	2	7%	2	7%	0	0%	2.55	2.94	7	8
SwissRe	Financials	13	60	10.58%	4.62	100.00%	0	0%	11	18%	13	22%	1	2%	6	10%	2	3%	10	17%	14	23%	0	0%	2	3%	1	2%	5.45	5.62	9	14
Syntex	Basic Materials	11	13	2.29%	1.18	100.00%	0	0%	1	8%	1	8%	2	15%	0	0%	1	8%	0	0%	6	46%	1	8%	1	8%	0	0%	1.18	1.72	7	6
Syntexis	Health Care	10	2	0.35%	0.20	100.00%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	2	100%	0	0%	0	0%	0	0%	0.18	0.60	1	2
UBS	Financials	12	2	0.35%	0.17	100.00%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	1	50%	0	0%	0	0%	1	50%	0.18	0.40	2	1
Zürich	Financials	12	36	6.35%	3.00	100.00%	0	0%	2	6%	10	28%	0	0%	4	11%	3	8%	0	0%	9	25%	2	6%	6	17%	0	0%	3.27	3.64	7	10
Average All Companies		10.58	23.63	4.17%	2.11	100.00%	0.29	1%	1.58	5%	3.79	12%	0.87	2%	2.29	7%	2.00	9%	0.98	4%	7.79	41%	1.58	6%	2.08	9%	0.88	3%	2.15	2.79	5.67	8.58
StandardDev		2.96	18.73	3.30%	1.35	0.00%	1.23	4%	2.87	7%	4.64	11%	1.05	5%	3.51	8%	2.28	12%	2.20	7%	5.73	28%	2.04	6%	2.19	12%	1.44	11%	1.70	1.79	2.75	5.82
Max		16	63	11.11%	4.62	100.00%	6	16%	11	29%	18	37%	3	16%	16	30%	8	50%	10	20%	20	100%	8	20%	7	50%	6	50%	5.73	5.84	10	20

x Above Average Dimension
x Highest Freq per Dimension
Above Average Company
Highest Frequency Company

Figure 69: Relationship Capital of Corporate Boards by Company in the SMI Sample

E.3 Relationship Capital by Industry



E.4 Educational Capital Overview

BC-FKE	Overall Board & Company	Specialists & Support Specialists (FKE)		
		Distribution of Frequencies Company	Distribution of Frequencies Sample	Distribution of Frequencies Industry
ABB	8 BM (low) 10 Hits Dim. (2.40%, low) 1.25 linkages/BM (low) Industrials	Low Heterogeneity (4/12 Dims covered) Highest importance on: Business Admin (4/10 Hits, 40%) Further focused (above avg of company) on: Finance (1/10 Hits, 10%) Economics (3/10 Hits, 30%) Tech (2/10 Hits, 20%)	Highest ranking company in the sample on Economics (3/10 Hits, 40%/28%, +12%) Further focused (above avg of all companies) on: Finance (10%/6%; +4%) BA (40%/30%, +10%) Tech (20%/14%, +6%)	Highest ranking within Industry: Finance (10%/7%; +3%) BA (40%/40%; +0%) Economics (30%/12%; +18%) Tech (20%/14%; +6%)
Adecco	9 BM (low) 15 Hits Dim. (3.61%, low) 1.67 linkages/BM (low) Industrials	Low High Heterogeneity (XX/12 Dims covered) Highest importance on: Business Admin (6/15 Hits, 40%) Further focused (above avg of company) on: Legal (4/15 Hits, 27%) tech (1/15 Hits, 7%)	Further focused (above avg of all companies) on: No Uni (7%/2%; +5%) Finance (7%/6%, +1%) BA (40%/30%, +10%) Economics (7%/7%, +0%) Legal (27%/20%, +7%) Other (7%/3%, +4%)	Highest ranking within Industry: No Uni (7%/2%; +5%) BA (40%/40%; +0%) Legal (27%/16%; +11%) Other (7%/4%; +3%) Further focus on (above avg of industry): Finance (7%/7%; +0%)
Baloise	10 BM (low) 14 Hits Dim. (3.37%, low) 1.40 linkages/BM (low) Financials	Low Heterogeneity (6/12 Dims covered) Highest importance on: Legal (6/14 Hits, 42%) Further focused (above avg of company) on: BA (4/14 Hits, 29%) Politics (1/14 Hits; 8%)	Further focused (above avg of all companies) on: Finance (7%/6%; +1%) Legal (43%/20%, +23%) Politics (7%/2%, +5%) MA (7%/5%, +2%)	Highest ranking within Industry: Financials (7%/1%; +6%) MA (7%/2%; +5%) Further focus on (above avg of industry): BA (29%/27%; +2%) Legal (43%/31%; +12%)
Ciba	8 BM (low) 12 Hits Dim. (2.88%, low) 1.50 linkages/BM (low) Basic Materials	High Heterogeneity (7/12 Dims covered) Highest importance on: Legal (3/12 Hits, 25%) and Tech (3/12 Hits, 25%) Further focused (above avg of company) on: Chem (2/12 Hits, 17%) Politics (1/12 Hits; 8%)	Highest ranking company in the sample on Politics (1/12 Hits, 8%/2%, +6%) Further focused (above avg of all companies) on: Chem (17%/7%; +10%) Economics (8%/7%, +1%) Legal (25%/20%, +5%) Tech (25%/14%, +11%) MA (8%/5%, +3%)	Highest ranking within Industry: Politics (8%/2%; +6%) Tech (25%/15%; +10%) Further focus on (above avg of industry): Chem (17%/10%; +7%) Legal (25%/18%; +7%)
Clariant	8 BM (low high) 13 Hits Dim. (3.13%, low high) 1.63 linkages/BM (low high) Basic Materials	Low Heterogeneity (5/12 Dims covered) Highest importance on: BA (3/13 Hits, 23%) Economics (3/13 Hits, 23%) Further focused (above avg of company) on: BA (3/13 Hits, 23%) Tech (2/13 Hits, 15%) MA (2/13 Hits, 15%)	Further focused (above avg of all companies) on: Economics (23%/7%; +16%) Legal (23%/20%, +3%) Tech (15%/14%, +1%) MA (15%/5%, +10%)	Highest ranking within Industry: Economics (23%/12%; +11%) Further focus on (above avg of industry): Legal (23%/18%; +5%) Tech (15%/15%; +0%) MA (15%/11%; +4%)
Credit Suisse	14 BM (high) 27 Hits Dim. (6.49%, high) 1.93 linkages/BM (high) Financials	High Heterogeneity (7/12 Dims covered) Highest importance on: BA (11/27 Hits, 41%) Further focused (above avg of company) on: Legal (8/27 Hits, 30%)	Further focused (above avg of all companies) on: No Uni (4%/2%; +2%) Math (7%/4%, +3%) BA (41%/30%, +11%) Economics (7%/7%, +XX%) Legal (30%/20%, +10%)	Highest ranking within Industry: BA (42%/27%; +15%) Further focus on (above avg of industry): No Uni (4%/4%; +0%) Economics (7%/2%; +5%)

Givaudan	7 BM (low) 11 Hits Dim. (2.64%, low) 1.57 linkages/BM (low) Basic Materials	Low Heterogeneity (5/12 Dims covered) Highest importance on: BA (6/11 Hits, 55%) Further focused (above avg of company) on: Finance (1/11 Hits, 9%) Economics (2/11 Hits, 18%) Legal (1/11 Hits, 9%) Tech (1/11 Hits, 9%)	Highest ranking company in the sample on BA (6/11 Hits, 55%/30%, +25%) Further focused (above avg of all companies) on: Finance (9%/6%; +3%) Economics (18%/7%, +11%)	Highest ranking within Industry: Finance (9%/2%; +7%) BA (55%/27%; +28%) Further focus on (above avg of industry): Economics (18%/12%; +6%)
Holcim	13 BM (high) 20 Hits Dim. (4.81%, high) 1.54 linkages/BM (low) Industrials	High Heterogeneity (7/12 Dims covered) Highest importance on: BA (8/20 Hits, 40%) Further focused (above avg of company) on: Legal (4/20 Hits, 20%) Tech (3/20 Hits, 15%) MA (2/20 Hits, 10%)	Further focused (above avg of all companies) on: BA (40%/30%; +10%) Legal (20%/20%, +20%) Politics (5%/2%, +3%) Tech (15%/14%, +1%) Other (5%/3%, +2%) MA (10%/5%, +5%)	Highest ranking within Industry: BA (40%/40%; +0%) Politics (5%/2%; +3%) MA (10%/3%; +7%) Further focus on (above avg of industry): Legal (20%/16%; +4%) Tech (15%/14%; +1%) Other (5%/4%; +1%)
Julius Bär	9 BM (low) 21 Hits Dim. (5.05%, high) 2.33 linkages/BM (high) Financials	High Heterogeneity (8/12 Dims covered) Highest importance on: Legal (7/21 Hits, 33%) Further focused (above avg of company) on: No Uni (2/XX Hits, 10%) Math (3/XX Hits, 14%) Finance (2/XX Hits, 10%) BA (4/19 Hits, XX%)	Further focused (above avg of all companies) on: No Uni (10%/2%; +8%) Math (14%/4%, +10%) Legal (33%/20%, +13%) Other (5%/3%, +2%) MA (5%/5%, +0%)	Highest ranking within Industry: Math (14%/8%; +6%) Further focus on (above avg of industry): No Uni (10%/4%; +6%) Finance (10%/9%; +1%) Legal (33%/31%; +2%) Other (5%/4%; +1%) MA (5%/2%; +3%)
Lonza	6 BM (low) 12 Hits Dim. (2.88%, low) 2 linkages/BM (high) Basic Materials	Low Heterogeneity (6/12 Dims covered) Highest importance on: Chem (3/12 Hits, 25%) and BA (3/12 Hits, 25%) Further focused (above avg of company) on: Math (1/12 Hits, 8%) Economics (1/12 Hits, 8%) Tech (2/12 Hits, 17%) MA (2/12 Hits, 17%)	Further focused (above avg of all companies) on: Chem (25%/7%; +18%) Math (8%/4%, +4%) Economics (8%/7%, +1%) Tech (17%/14%; +3%) MA (17%/5%, +12%)	Highest ranking within Industry: Chem (25%/10%; +15%) Math (8%/2%; +6%) MA (17%/11%; +6%) Further focus on (above avg of industry): Tech (17%/15%; +2%)
Nestlé	16 BM (highest) 20 Hits Dim. (4.81%, high) 1.25 linkages/BM (low) Consumer Goods	High Heterogeneity (8/12 Dims covered) Highest importance on: BA (7/20 Hits, 35%) Further focused (above avg of company) on: Math (2/20 Hits, 10%) Finance (2/20 Hits, 10%) Legal (2/20 Hits, 10%) Tech (4/20 Hits, 20%)	Highest ranking company in the sample on XXXXX (XX/XX Hits, XX%/XX%, +XX%) Further focused (above avg of all companies) on: No Uni (5%/2%; +3%) Math (10%/4%, +6%) Finance (10%/6%, +4%) BA (35%/30%, +5%) Politics (5%/2%, +3%) Tech (20%/14%, +6%)	Highest ranking within Industry: No Uni (5%/2%; +3%) Chem (5%/2%; +3%) Finance (10%/3%; +7%) BA (35%/27%; +8%) Politics (5%/3%; +2%) Tech (20%/15%; +5%) Further focus on (above avg of industry): Math (10%/10%; +0%)
NobelBiocare	9 BM (low) 17 Hits Dim. (4.09%, low) 1.89 linkages/BM (high) Health Care	High Heterogeneity (8/12 Dims covered) Highest importance on: BA (8/17 Hits, 47%) Further focused (above avg of company) on: Chem (2/17 Hits, 12%) Finance (2/17 Hits, 12%)	Highest ranking company in the sample on Marketing (1/17 Hits, 1%/0%, +1%) Further focused (above avg of all companies) on: Chem (12%/7%; +5%) Math (6%/4%, +2%) Finance (12%/6%, +6%) BA (47%/30%, +17%) MA (6%/5%, +1%)	Highest ranking within Industry: Math (6%/3%; +3%) Finance (12%/9%; +3%) BA (47%/31%; +16%) Marketing (6%/1%; +5%) MA (6%/1%; +5%)

Novartis	14 BM (high) 20 Hits Dim. (4.81%, high) 1.43 linkages/BM (low) Health Care	High Heterogeneity (9/12 Dims covered) Highest importance on: Chem (3/20 Hits, 15%) and BA (3/20 Hits, 15%) and Legal (3/20 Hits, 15%) and Tech (3/20 Hits, 15%) Further focused (above avg of company) on: Finance (2/20 Hits, 10%) Economics (2/20 Hits, 10%) Other (2/20 Hits, 10%)	Further focused (above avg of all companies) on: Chem (15%/7%; +8%) Math (5%/4%, +1%) Finance (10%/6%, +4%) Economics (10%/7%, +3%) Politics (5%/2%, +3%) Tech (15%/14%, +1%) Other (10%/3%, +7%)	Highest ranking within Industry: Legal (15%/7%; +8%) Politics (5%/2%; +3%) Tech (15%/9%; +6%) Other (10%/4%; +6%) Further focus on (above avg of industry): Math (5%/3%; +2%) Finance (10%/9%; +1%) Economics (10%/7%; +3%)
Richemont	16 BM (high) 19 Hits Dim. (4.57%, high) 1.19 linkages/BM (low) Consumer Goods	Low Heterogeneity (6/12 Dims covered) Highest importance on: BA (5/19 Hits, 26%) Further focused (above avg of company) on: Economics (3/19 Hits, 16%) Legal (4/19 Hits, 21%) Tech (2/19 Hits, 11%) Other (4/19 Hits, 21%)	Highest ranking company in the sample on Other (4/19 Hits, 21%/3%, +18%) Further focused (above avg of all companies) on: Economics (16%/7%; +9%) Legal (21%/20%, +1%) Politics (5%/2%, +3%)	Highest ranking within Industry: Economics (16%/5%; +11%) Politics (5%/3%; +2%) Other (21%/7%; +14%)
Roche	15 BM (high) 40 Hits Dim. (9.62%, highest) 2.67 linkages/BM (high) Health Care	High Heterogeneity (8/12 Dims covered) Highest importance on: Chem (13/40 Hits, 33%) Further focused (above avg of company) on: BA (11/40 Hits, 28%) Economics (5/40 Hits, 13%)	Further focused (above avg of all companies) on: Chem (33%/7%; +26%) Finance (8%/6%, +2%) Economics (13%/7%, +6%) Politics (3%/2%, +1%) Other (5%/3%, +2%)	Highest ranking within Industry: Economics (13%/7%; +6%) Further focus on (above avg of industry): Chem (33%/26%; +7%) Legal (8%/7%; +1%) Politics (3%/2%; +1%) Other (5%/4%; +1%)
SGS	No Data	No Data	No Data	No Data
Swatch	8 BM (low) 5 Hits Dim. (1.20%, low) 0.63 linkages/BM (low) Consumer Goods	Low Heterogeneity (4/12 Dims covered) Highest importance on: Legal (2/5 Hits, 40%) Further focused (above avg of company) on: Math (1/5 Hits, 20%) BA (1/5 Hits, 20%) Tech (1/5 Hits, 20%)	Highest ranking company in the sample on Math (1/5 Hits, 20%/4%, +16%) Further focused (above avg of all companies) on: Legal (40%/20%; +20%) Tech (20%/14%, +6%)	Highest ranking within Industry: Math (20%/10%; +10%) Legal (40%/24%; +16%) Tech (20%/17%; +3%)
Swisscom	10 BM (low) 15 Hits Dim. (3.61%, low) 1.50 linkages/BM (low) Telecom	Low Heterogeneity (6/12 Dims covered) Highest importance on: BA (5/15 Hits, 33%) Further focused (above avg of company) on: Tech (4/15 Hits, 27%) MA (3/15 Hits, 20%)	Highest ranking company in the sample on Tech (4/15 Hits, 27%/14%, +13%) and MA (3/15 Hits, 20%/5%, +15%) Further focused (above avg of all companies) on: Chem (7%/7%; +0%) BA (33%/30%, +3%) Politics (7%/2%, +5%)	There is only one company in the Telecom industry. Comparison within industry therefore is not possible.
SwissLife	9 BM (high) 26 Hits Dim. (6.25%, high) 2.89 linkages/BM (highest) Financials	High Heterogeneity (7/12 Dims covered) Highest importance on: Legal (12/26 Hits, 46%) Further focused (above avg of company) on: Math (3/26 Hits, 12%) Finance (3/26 Hits, 12%) BA (3/26 Hits, 12%) Other (3/26 Hits, 12%)	Highest ranking company in the sample on Legal (12/26 Hits, 46%/20%, +26%) Further focused (above avg of all companies) on: No Uni (4%/2%; +2%) Math (12%/4%, +8%) Finance (12%/6%, +6%) Other (12%/3%, +9%)	Highest ranking within Industry: Legal (46%/31%; +15%) Other (12%/4%; +8%) Further focus on (above avg of industry): No Uni (4%/4%; +0%) Math (12%/8%; +4%) Finance (12%/9%; +3%)

SwissRe	13 BM (high) 24 Hits Dim. (5.77%, high) 1.85 linkages/BM (high) Financials	High Heterogeneity (7/12 Dims covered) Highest importance on: Legal (6/24 Hits, 25%) Further focused (above avg of company) on: Math (2/24 Hits, 8%) Finance (5/24 Hits, 21%) BA (5/24 Hits, 21%) Economics (2/24 Hits, 8%) Tech (3/24 Hits, 13%)	Highest ranking company in the sample on Finance (5/XX Hits, 21%/6%, +15%) Further focused (above avg of all companies) on: Math (8%/4%; +4%) Economics (8%/7%, +1%) Legal (25%/20%, +15%) Other (4%/3%, +1%)	Highest ranking within Industry: Finance (21%/9%; +12%) Economics (8%/2%; +6%) Further focus on (above avg of industry): Math (8%/8%; +0%) Tech (13%/11%; +2%) Other (4%/4%; +0%)
Syngenta	11 BM (high) 19 Hits Dim. (4.57%, high) 1.73 linkages/BM (high) Basic Materials	Low Heterogeneity (6/12 Dims covered) Highest importance on: Legal (6/19 Hits, 32%) Further focused (above avg of company) on: Chem (2/19 Hits, 11%) BA (5/19 Hits, 26%) Legal (6/19 Hits, 32%) Tech (2/19 Hits, 11%) MA (3/19 Hits, 16%)	Further focused (above avg of all companies) on: Chem (11%/7%; +4%) Legal (32%/20%, +12%) Other (5%/3%, +2%) MA (16%/5%, +11%)	Highest ranking within Industry: Legal (32%/18%; +14%) Other (5%/1%; +XX%) Further focus on (above avg of industry): Chem (11%/10%; +1%)
Synthes	10 BM (low) 20 Hits Dim. (4.81%, high) 2.00 linkages/BM (high) Health Care	Low Heterogeneity (5/12 Dims covered) Highest importance on: Chem (9/20 Hits, 45%) Further focused (above avg of company) on: BA (7/20 Hits, 35 %) Tech (2/20 Hits, 10%)	Highest ranking company in the sample on Chem (9/20 Hits, 45%/7%, +38%) Further focused (above avg of all companies) on: BA (35%/30%; +5%)	Highest ranking within Industry: Chem (45%/26%; +19%) Further focus on (above avg of industry): BA (35%/31%; +4%) Tech (10%/9%; +1%)
UBS	12 BM (high) 16 Hits Dim. (3.85%, low) 1.33 linkages/BM (low) Financials	High Heterogeneity (7/12 Dims covered) Highest importance on: BA (4/16 Hits, 25%) Further focused (above avg of company) on: No Uni (2/16 Hits, 13%) Math (2/16 Hits, 13%) Finance (2/16 Hits, 13%) Legal (2/16 Hits, 13%) Tech (3/16 Hits, 19%)	Highest ranking company in the sample on No Uni (2/16 Hits, 13%/2%, +11%) Further focused (above avg of all companies) on: Math (13%/4%; +9%) Finance (13%/6%, +7 %) Tech (19%/14%, +5%)	Highest ranking within Industry: No Uni (13%/4%; +9%) Marketing (6%/1%; +5%) Further focus on (above avg of industry): Math (13%/8%; +5%) Finance (13%/9%; +4%) Tech (19%/11%; +8%)
Zürich	12 BM (high) 20 Hits Dim. (4.81%, high) 1.67 linkages/BM (low) Financials	High Heterogeneity (4/12 Dims covered) Highest importance on: BA (8/20 Hits, 40%) Further focused (above avg of company) on: Legal (6/20 Hits, 30%) Tech (5/20 Hits, 25%)	Further focused (above avg of all companies) on: BA (40%/30%; +10%) Legal (30%/20%, +10%) Tech (25%/14%, +11%) Other (5%/3%, +2%)	Highest ranking within Industry: Tech (25%/11%; +14%) Further focus on (above avg of industry): BA (40%/27%; +13%) Other (5%/4%; +1%)

Figure 71: Overview FKE Hits.

E.5 Educational Capital by Company

Companies		Industry Cluster	BM	Relationships			Distribution of Frequency / Company												Board Mandates / BM																	
				Freq / Allits	Rel. Freq / Hits	Rel. Freq / Firm	No University	Chem & Bio & Med	Mathematics & Physics	Finance	Business Admin	Economics	Legal	Politics & Comm	Marketing	Technology & Engineering	Other Studies	Master Of Arts	AVG	STD	HET	Max														
Companies			247	416	100.00%	1.68	100.00%	8	1.9%	36	8.7%	18	4.3%	28	6.7%	122	29.3%	4	49%	3	20.2%	8	1.9%	2	0.5%	51	12.3%	17	4.1%	16	3.8%	34.7	35.5	12	122	
ABB	Industrials	8	10	2.40%	1.25	100.00%	0	0%	0	0%	0	0%	0	10%	4	40%	1	7%	4	27%	0	0%	0	0%	0	2	20%	0	0%	0	0%	0.83	1.40	4	4	
Adcoo		9	15	3.61%	1.67	100.00%	1	7%	0	0%	0	0%	1	7%	6	40%	3	30%	0	0%	0	0%	0	0%	0	0	1	7%	0	0%	1.25	1.86	7	6		
Banco		10	14	3.37%	1.40	100.00%	0	0%	0	0%	0	0%	0	7%	4	29%	0	0%	6	43%	1	7%	0	0%	1	7%	0	0%	1	7%	1.17	1.60	6	6		
Basic Materials	Financials	8	12	2.88%	1.50	100.00%	0	0%	2	17%	0	0%	0	0%	0	1	8%	3	25%	1	8%	0	0%	1	8%	0	3	25%	0	0%	1	100	1.13	7	3	
Cba		8	13	3.13%	1.63	100.00%	0	0%	0	0%	0	0%	0	0%	0	0	3	23%	3	23%	0	0%	0	0%	0	0	2	15%	0	0%	2	108	1.38	5	3	
Client		17	27	6.49%	1.93	100.00%	1	4%	0	0%	2	7%	1	4%	11	41%	2	18%	8	30%	0	0%	0	0%	0	0	2	7%	0	0%	0	2.25	3.65	7	11	
Credit Suisse	Basic Materials	7	11	2.64%	1.57	100.00%	0	0%	0	0%	0	0%	0	0%	1	9%	6	65%	2	18%	1	9%	0	0%	0	0	0	1	9%	0	0%	0.92	1.73	5	6	
Gaudium		13	20	4.81%	1.54	100.00%	0	0%	0	0%	0	0%	0	0%	1	5%	8	40%	0	0%	4	20%	1	5%	0	0	3	15%	1	5%	1	167	2.39	7	8	
Hedim		9	21	5.05%	2.33	100.00%	2	10%	0	0%	3	14%	2	10%	4	19%	0	0%	0	0%	7	33%	0	0%	0	0	1	5%	1	5%	1	175	2.09	8	7	
Industrials	Consumer Goods	6	12	2.88%	2.00	100.00%	0	0%	3	25%	1	8%	0	0%	2	10%	3	25%	1	8%	0	0%	0	0%	0	0	0	1	100	1.21	6	3	5			
Nedra		16	20	4.81%	1.25	100.00%	1	5%	1	5%	2	10%	2	10%	2	10%	7	35%	0	0%	2	10%	1	5%	0	0	4	20%	0	0%	0	1.67	2.06	8	7	
NorthBoreac		9	17	4.05%	1.89	100.00%	0	0%	2	12%	1	6%	2	12%	8	47%	1	6%	0	0%	0	0%	0	0%	1	6%	1	6%	1	6%	1.42	2.19	8	8		
Novartis	Health Care	14	20	4.81%	1.43	100.00%	0	0%	3	15%	1	8%	2	10%	3	15%	2	10%	3	15%	2	10%	1	5%	0	0	3	15%	2	10%	0	1.67	1.23	9	3	
Novartis		19	48	11.9%	1.91	100.00%	0	0%	0	0%	0	0%	0	0%	5	26%	3	16%	4	21%	1	5%	0	0%	0	0	2	11%	4	21%	1.86	1.93	6	5		
Roche		16	49	12.57%	2.07	100.00%	0	0%	13	33%	0	0%	3	8%	11	28%	5	13%	3	8%	1	3%	0	0%	0	0	2	5%	2	5%	0	3.33	4.38	8	13	
Roche	Consumer Goods	15	40	9.62%	2.07	100.00%	0	0%	0	0%	0	0%	1	20%	0	0%	1	20%	0	0%	2	40%	0	0%	0	0	1	20%	0	0%	0	0.42	0.67	4	2	
Swatch		8	5	1.25%	0.63	100.00%	0	0%	0	0%	0	0%	0	0%	0	0	5	33%	0	0%	1	7%	1	7%	0	0	4	27%	0	0%	3	20%	1.25	1.76	6	5
Swisscom		10	15	3.61%	1.50	100.00%	0	0%	1	7%	0	0%	0	0%	0	0	5	33%	0	0%	0	0%	0	0%	0	0	0	0	0	0%	0	2.17	3.38	7	12	
Swisslife	Financials	9	26	6.25%	2.09	100.00%	1	4%	0	0%	3	12%	3	12%	3	12%	3	12%	0	0%	12	46%	0	0%	0	0	1	4%	3	12%	0	0%	2.17	3.38	7	12
Swisslife		13	24	5.77%	1.85	100.00%	0	0%	0	0%	2	8%	5	21%	5	21%	2	8%	6	25%	0	0%	0	0%	0	0	3	13%	1	4%	0	2.00	2.28	7	6	
Svevia		9	24	5.77%	1.85	100.00%	0	0%	0	0%	2	8%	5	21%	5	21%	2	8%	6	25%	0	0%	0	0%	0	0	3	13%	1	4%	0	2.00	2.28	7	6	
Svevia	Basic Materials	11	19	4.57%	1.73	100.00%	0	0%	2	11%	0	0%	0	0%	5	26%	0	0%	0	0%	0	0%	0	0%	0	0	0	0	0%	0	0%	1.68	2.11	6	6	
Synthes		10	20	4.81%	2.00	100.00%	0	0%	9	45%	0	0%	1	5%	7	35%	0	0%	0	0%	0	0%	0	0%	0	0	0	0	0%	0	0%	1.67	3.06	5	9	
Synthes		12	16	3.85%	1.33	100.00%	2	13%	0	0%	2	13%	2	13%	4	25%	4	25%	0	0%	1	13%	1	6%	3	19%	0	0%	0	0%	0	1.33	1.37	7	4	
UBS	Health Care	12	20	4.81%	1.67	100.00%	0	0%	0	0%	0	0%	0	0%	0	0	8	40%	0	0%	0	0%	0	0	0	0	5	25%	1	5%	0	1.67	2.80	4	8	
Zurich		12	20	4.81%	1.67	100.00%	0	0%	0	0%	0	0%	0	0%	0	0	8	40%	0	0%	0	0%	0	0	0	0	5	25%	1	5%	0	1.67	2.80	4	8	
Average All Companies		10.74	18.09	4.35%	1.69	100.00%	0.35	2%	1.57	7%	0.78	4%	1.22	6%	5.30	30%	1.13	7%	3.65	20%	0.35	2%	0.09	1%	2.22	14%	0.74	3%	0.70	5%	1.51	2.08	6.39	6.30		
StandardDev	2.93	7.12	1.71%	0.49	0.00%	0.65	4%	3.20	12%	1.04	6%	1.28	6%	2.69	12%	1.39	8%	2.96	14%	0.49	3%	0.29	2%	1.13	7%	1.10	5%	1.02	7%	0.89	0.88	1.41	2.96			
Max	16	40	9.62%	2.89	100.00%	2	13%	13	45%	3	20%	5	21%	11	55%	5	30%	12	46%	1	8%	1	6%	5	27%	4	21%	3	20%	3.33	4.36	9	13			

x Above Average Dimension
x Highest Freq per Dimension
Above Average Company
Highest Frequency Company

Figure 72: Educational Knowledge of Corporate Boards by Company in the SMI Sample

E.6 Educational Capital by Industry

Companies	Industry Cluster	Relationships										Distribution of Frequency / Company														Board Members / BM										
		BM	Rel. Freq / Adults		Rel. Freq / BM		Rel. Freq / Firm		No University		Chem & Bio & Med		Mathematics & Physics		Finance		Business Admin		Economics		Legal		Politics & Comm		Marketing		Technology & Engineering		Other Studies		Master of Arts		AVG	STD	HET	Max
			Freq / Adults	Rel. Freq / Adults	Freq / BM	Rel. Freq / BM	Freq / Firm	Rel. Freq / Firm	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%				
Companies		247	416	100.0%	148	100.0%	100.0%	8	1.9%	36	8.7%	18	4.3%	28	6.7%	122	29.3%	26	6.3%	84	20.2%	8	1.9%	2	0.5%	51	12.3%	17	4.1%	16	3.8%	34.7	35.5	12	122	
Coca	Basic Materials	8	12	2.8%	1.50	100.0%	0	0%	0	0%	0	0%	0	0%	1	3%	1	3%	1	3%	1	3%	0	0%	0	0%	0	0%	0	0%	1	3%	1.00	1.33	7	3
Chemt	Basic Materials	8	13	3.13%	1.63	100.0%	0	0%	0	0%	0	0%	0	0%	3	25%	3	23%	3	23%	0	0%	0	0%	0	0%	0	0%	2	16%	1.08	1.38	5	3		
Stratnet	Basic Materials	7	11	2.64%	1.57	100.0%	0	0%	0	0%	0	0%	1	8%	6	65%	2	16%	1	8%	0	0%	0	0%	0	0%	0	0%	0	0%	0.52	1.73	5	6		
Loche	Basic Materials	6	12	2.85%	2.00	100.0%	0	0%	3	25%	1	8%	0	0%	3	25%	4	31%	1	8%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0.52	1.73	5	6
Stratnet	Basic Materials	11	19	4.57%	1.73	100.0%	0	0%	2	11%	0	0%	0	0%	5	26%	0	0%	6	32%	0	0%	0	0%	0	0%	2	11%	1	5%	3	16%	1.58	2.11	6	6
Natgas	Consumer Goods	16	20	4.81%	1.25	100.0%	1	5%	1	5%	2	10%	2	10%	7	35%	0	0%	2	10%	1	5%	0	0%	0	0%	4	20%	0	0%	1.67	2.06	8	6		
Stratnet	Consumer Goods	16	19	4.57%	1.19	100.0%	0	0%	0	0%	0	0%	0	0%	5	26%	0	0%	4	21%	1	5%	0	0%	2	11%	4	21%	0	0%	1.68	1.90	6	5		
Stratnet	Consumer Goods	8	5	1.20%	0.63	100.0%	0	0%	0	0%	1	20%	0	0%	1	20%	0	0%	2	40%	0	0%	0	0%	0	0%	0	0%	0	0%	0.42	0.67	4	2		
Stratnet	Consumer Goods	10	14	3.37%	1.40	100.0%	0	0%	0	0%	0	0%	1	7%	4	29%	0	0%	6	43%	0	0%	1	7%	0	0%	0	0%	0	0%	1.17	1.90	6	6		
Stratnet	Consumer Goods	14	27	6.49%	1.93	100.0%	1	4%	0	0%	2	7%	2	7%	11	41%	2	7%	8	30%	0	0%	0	0%	0	0%	0	0%	0	0%	2.25	3.65	7	11		
Stratnet	Consumer Goods	9	21	5.05%	2.33	100.0%	1	10%	0	0%	3	14%	2	10%	4	19%	0	0%	7	33%	0	0%	0	0%	0	0%	1	5%	1	5%	1.75	2.00	8	7		
Stratnet	Consumer Goods	9	28	6.92%	2.89	100.0%	1	4%	0	0%	3	12%	3	12%	3	12%	0	0%	12	46%	0	0%	0	0%	0	0%	3	13%	1	4%	0	0%	2.17	3.58	7	12
Stratnet	Consumer Goods	13	24	5.77%	1.85	100.0%	0	0%	0	0%	2	8%	5	21%	5	21%	2	8%	6	25%	0	0%	0	0%	0	0%	3	13%	1	4%	0	0%	2.00	2.26	7	6
Stratnet	Consumer Goods	12	16	3.85%	1.33	100.0%	2	13%	0	0%	2	13%	2	13%	0	0%	8	40%	0	0%	2	13%	0	0%	0	0%	5	25%	1	5%	0	0%	1.67	2.20	4	8
Stratnet	Consumer Goods	12	20	4.81%	1.67	100.0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	6	30%	0	0%	0	0%	0	0%	6	30%	1	5%	0	0%	1.67	2.20	4	8
Stratnet	Consumer Goods	9	17	4.09%	1.80	100.0%	0	0%	2	12%	1	6%	2	12%	8	47%	1	6%	0	0%	0	0%	1	6%	0	0%	1	6%	0	0%	1.42	1.19	8	3		
Stratnet	Consumer Goods	14	20	4.81%	1.43	100.0%	0	0%	3	15%	2	10%	3	15%	3	15%	2	10%	3	15%	1	5%	0	0%	3	15%	2	10%	0	0%	1.67	1.20	9	3		
Stratnet	Consumer Goods	15	40	9.62%	2.87	100.0%	0	0%	13	33%	0	0%	0	0%	11	28%	5	13%	5	13%	0	0%	1	3%	0	0%	2	5%	2	5%	0	0%	3.33	4.30	6	13
Stratnet	Consumer Goods	10	20	4.81%	2.00	100.0%	0	0%	0	0%	0	0%	1	5%	7	35%	0	0%	3	15%	1	5%	0	0%	0	0%	2	10%	0	0%	1.67	3.00	5	9		
Stratnet	Consumer Goods	9	10	2.40%	1.25	100.0%	0	0%	0	0%	0	0%	1	10%	4	40%	3	30%	3	27%	0	0%	0	0%	0	0%	2	20%	0	0%	1.40	1.60	4	4		
Stratnet	Consumer Goods	9	15	3.61%	1.87	100.0%	1	7%	0	0%	0	0%	1	7%	6	40%	1	7%	4	27%	0	0%	0	0%	0	0%	1	7%	1	7%	0	0%	1.25	1.86	7	6
Stratnet	Consumer Goods	20	20	4.81%	1.54	100.0%	0	0%	0	0%	0	0%	0	0%	1	5%	8	40%	0	0%	4	20%	1	5%	0	0%	3	15%	1	5%	2	10%	1.25	1.39	7	8
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15	3.61%	1.50	100.0%	0	0%	1	7%	0	0%	0	0%	0	0%	5	33%	0	0%	1	7%	0	0%	0	0%	4	27%	0	0%	1.25	1.76	6	5		
Stratnet	Consumer Goods	10	15																																	

E.7 Business & Industry Capital Overview

BHC 2-3	Overall Board & Company	Industry (BHC 2) & Business Experts (BHC 3)		
		Distribution of Frequencies Company	Distribution of Frequencies Sample	Distribution of Frequencies Industry
ABB	8 BM (low) 87 Hits Dim. (4.48%, high) 10.88 linkages/BM (max) Industrials	High Heterogeneity (10/13 Dims covered) Highest importance on: Technology (22/87 Hits, 25%) Further focused (above avg of company) on: Banking (19/87 Hits, 22%) Pharmacy (16/87 Hits, 18%) IT (11/87 Hits, 13%)	Highest ranking company in the sample on IT (11/46 Hits, 13%/2%, +11%) Further focused (above avg of all companies) on: Technology (25%/13%; +12%) IT (13%/2%, +11%) Telecom (5%/1%, +4%) Energy (5%/2%, +3%)	Highest ranking within Industry: Pharmacy (18%/12%; +6%) IT (13%/4%; +9%) Tech (25%/20%; +5%) Transport (3%/2%; +1%) Further focus on (above avg of industry): Auto (5%/3%; +2%) Energy (5%/4%; +1%) Telecom (5%/3%; +2%)
Adecco	9 BM (low) 87 Hits Dim. (3.86%, low) 8.33 linkages/BM (high) Industrials	High Heterogeneity (12/13 Dims covered) Highest importance on: Services (30/75 Hits, 40%) Further focused (above avg of company) on: Pharmacy (9/75 Hits, 12%) Technology (8/75 Hits, 11%) Food (8/75 Hits, 11%) Telecom (7/75 Hits, 9%)	Highest ranking company in the sample on Services (30/246 Hits, 40%/13%, +27%) Further focused (above avg of all companies) on: Food (11%/5%; +6%) Telecom (9%/1%, +8%) Energy (4%/2%, +2%)	Highest ranking within Industry: Telecom (9%/3%; +6%) Services (40%/16%; +24%) Transport (3%/2%; +1%) Food (11%/4%; +7%) Further focus on (above avg of industry): Pharma (12%/12%; +0%) Energy (4%/4%; +0%) Other (1%/1%; +0%)
Baloise	10 BM (low) 48 Hits Dim. (2.47%, low) 4.8 linkages/BM (low) Financials	Low Heterogeneity (7/13 Dims) Highest importance on: Banking (20/48 Hits, 42%) Further focused (above avg of company) on: Tech (8/48 Hits, 17%) Pharmacy (6/48 Hits, 13%) Services (5/48 Hits, 10%) Food 5/48 Hits, 10%)	Further focused (above avg of all companies) on: Banking (42%/28%; +14%) Food (11%/5%; +6%) Technology (17%/13%; +4%) Governmental (6%/6%; +0%)	Highest ranking within Industry: Food (10%/4%; +6%) Further focus on (above avg of industry): Pharmacy (13%/7%; +6%) Tech (17%/9%; +8%)
Ciba	8 BM (low) 83 Hits Dim. (4.27%, high) 10.38 linkages/BM (high) Basic Materials	High Heterogeneity (11/13 Dims) Highest importance on: Tech (27/83 Hits, 33%) Further focused (above avg of company) on: Banking (10/83 Hits, 12%) Pharmacy (18/83 Hits, 22%) Services (12/83 Hits, 14%)	Highest ranking company in the sample on Technology (27/251 Hits, 33%/13%, +20%) Further focused (above avg of all companies) on: Media (5%/2%; +3%) Pharmacy (22%/20%; +2%) Services (14%/13%; +1%) Transportation (4%/4%; +0%)	Highest ranking within Industry: Auto (1%/1%; +0%) Tech (33%/15%; +XX%) Governmental (5%/2%; +3%) Further focus on (above avg of industry): Energy (1%/1%; +0%) Services (14%/11%; +3%) Transport (4%/4%; +0%) Media (5%/3%; +2%) Other (1%/1%; +0%)
Clariant	8 BM (low) 74 Hits Dim. (3.81%, low) 9.25 linkages/BM (high) Basic Materials	High Heterogeneity (10/13 Dims) Highest importance on: Banking (18/74 Hits, 24%) Further focused (above avg of company) on: Pharmacy (15/74 Hits, 20%) IT (6/74 Hits, 8%) Technology (10/74 Hits, 20%) Services (9/74 Hits, 12%) Transportation (7/74 Hits, 9%)	Further focused (above avg of all companies) on: Technology (20%/13%; +7%) Transportation (9%/4%; +5%) IT (8%/2%; +5%) Pharmacy (20%/20%; +0%) Telecom (1%/1%, +0%)	Highest ranking within Industry: Banking (24%/20%; +4%) IT (8%/2%; +6%) Telecom (1%/0%; +1%) Transport (9%/4%; +5%) Further focus on (above avg of industry): Tech (20%/15%; +5%) Services (12%/11%; +1%) Other (1%/1%; +0%)

Credit Suisse	14 BM (high) 117 Hits Dim. (6.02%, high) 8.36 linkages/BM (high) Financials	High Heterogeneity (10/13 Dims) Highest importance on: Banking (70/117 Hits, 60%) Further focused (above avg of company) on: Technology (12/117 Hits, 10%)	Highest ranking company in the sample on Banking (70/552 Hits, 60%/28%, +32%) Further focused (above avg of all companies) on: IT (2%/2%; +0%) Energy (5%/2%; +3%) Food (7%/5%; +2%) Other (2%/2%; +0%)	Highest ranking within Industry: Banking (60%/45%; +15%) Energy (5%/2%; +3%) Further focus on (above avg of industry): IT (2%/2%; +0%) Tech (10%/9%; +1%) Transport (3%/3%; +0%) Food (7%/4%; +3%) Other (2%/2%; +0%)
Givaudan	7 BM (low) 67 Hits Dim. (3.45%, low) 9.57 linkages/BM (high) Industrials	Low Heterogeneity (8/13 Dims) Highest importance on: Pharmacy (29/67 Hits, 43%) Further focused (above avg of company) on: Banking (16/67 Hits, 24%) Services (10/67 Hits, 15%)	Further focused (above avg of all companies) on: Pharmacy (43%/20%; +23%) Services (15%/13%; +2%) Media (3%/2%; +1%)	Highest ranking within Industry: Banking (24%/20%; +4%) Services (15%/11%; +4%) Further focus on (above avg of industry): Pharmacy (43%/34%; +9%) Governmental (3%/2%; +1%) Media (3%/3%; +0%)
Holcim	13 BM (high) 99 Hits Dim. (5.10%, high) 7.62 links/BM (high) Industrials	High Heterogeneity (12/13 Dims) Highest importance on: Banking (25/99 Hits, 25%) Further focused (above avg of company) on: Pharmacy (16/99 Hits, 16%) Technology (22/99 Hits, 22%) Services (16/99 Hits, 16%)	Highest ranking company in the sample on Energy (6/49 Hits, 6%/2%, +4%) Further focused (above avg of all companies) on: Technology (22%/13%; +9%) Services (16%/13%; +3%) Media (3%/2%; +1%)	Highest ranking within Industry: Energy (6%/4%; +2%) Transport (3%/2%; +1%) Further focus on (above avg of industry): Pharmacy (16%/12%; +4%) Banking (25%/23%; +2%) Tech (22%/20%; +2%) Services (16%/16%; +0%) Governmental (4%/4%; +0%) Media (3%/2%; +1%) Other (1%/1%; +0%)
Julius Bär	9 BM (low) 57 Hits Dim. (2.94%, low) 6.33 links/BM (low) Financials	Low Heterogeneity (7/13 Dims) Highest importance on: Banking (31/57 Hits, 54%) Further focused (above avg company) on: Services (13/57 Hits, 23%) Transportation (5/57 Hits, 9%)	Further focused (above avg all companies) on: Banking (54%/28%; +26%) IT (5%/2%; +3%) Energy (2%/2%; +0%) Services (23%/13%; +10%) Transportation (9%/4%; +5%)	Highest ranking within Industry: IT (5%/2%; +3%) Transport (9%/3%; +6%) Further focus on (above avg of industry): Banking (54%/45%; +9%) Energy (2%/2%; +0%) Services (23%/16%; +7%)
Lonza	6 BM (low) 38 Hits Dim. (1.96%, low) 6.33 links/BM (low) Basic Materials	Low Heterogeneity (8/13 Dims) Highest importance on: Pharmacy (20/38 Hits, 53%) Further focused (above avg company) on: Banking (6/38 Hits, 16%) Technology (4/38 Hits, 11%)	Further focused (above avg all companies) on: Pharmacy (53%/20%; +33%) IT (3%/2%; +1%) Energy (5%/2%; +3%) Food (5%/5%; +0%)	Highest ranking within Industry: Pharmacy (53%/34%; +19%) Energy (5%/1%; +4%) Further focus on (above avg of industry): IT (3%/2%; +1%) Food (5%/5%; +0%)
Nestlé	16 BM (high) 157 Hits Dim. (8.08%, high) 9.81 links/BM (high) Consumer Goods	High Heterogeneity (11/13 Dims) Highest importance on: Pharmacy (46/157 Hits, 29%) Further focused (above avg company) on: Pharmacy (14/157 Hits, 9%) Services (16/157 Hits, 10%) Governmental (20/157 Hits, 13%) Food (31/157 Hits, 20%) Media (13/157 Hits, 8%)	Highest ranking company in the sample on Food (31/104 Hits, 20%/5%, +15%) Further focused (above avg all companies) on: Banking (29%/28%; +1%) IT (3%/2%; +1%) Telecom (2%/1%; +1%) Governmental (13%/6%; +7%) Media (8%/2%; +6%)	Highest ranking within Industry: IT (3%/1%; +2%) Telecom (2%/1%; +1%) Governmental (13%/9%; +4%) Food (20%/10%; +10%) Media (8%/3%; +5%) Further focus on (above avg of industry): Pharmacy (9%/8%; +1%) Other (1%/1%; +0%)
NobelBiocare	9 BM (low) 66 Hits Dim. (3.4%, low) 7.33 links/BM (low) Health Care	Low Heterogeneity (8/13 Dims) Highest importance on: Pharmacy (32/66 Hits, 48%) Further focused (above avg company) on: Banking (8/0 Hits, 12%) Technology (13/0 Hits, 20%)	Further focused (above avg all companies) on: Pharmacy (58%/20%; +38%) IT (5%/2%; +3%) Technology (20%/13%; +7%)	Highest ranking within Industry: IT (5%/2%; +3%) Tech (20%/12%; +8%) Further focus on (above avg of industry): Pharmacy (48%/41%; +7%) Services (8%/8%; +0%) Transport (3%/3%; +0%) Food (3%/3%; +0%)

Novartis	14 BM (high) 106 Hits Dim. (5.46%, high) 7.57 links/BM (high) Health Care	High Heterogeneity (12/13 Dims) Highest importance on: Pharmacy (37/106 Hits, 35%) Further focused (above avg company) on: Banking (23/106 Hits, 22%) Technology (14/106 Hits, 13%) Services (9/106 Hits, 8%)	Further focused (above avg all companies) on: Automotive (5%/2%; +3%) Pharmacy (35%/20%; +15%) IT (2%/2%; +0%) Energy (3%/2%; +1%) Technology (13%/13%; +0%) Governmental (7%/6%; +1%)	Highest ranking within Industry: Auto (5%/2%; +3%) Banking (22%/16%; +6%) Media (1%/0%; +1%) Further focus on (above avg of industry): IT (2%/2%; +0%) Energy (3%/2%; +1%) Tech (13%/12%; +1%) Services (8%/8%; +0%) Governmental (7%/7%; +0%) Food (3%/3%; +0%)
Richemont	16 BM (high low) 99 Hits Dim. (5.10%, high) 6.19 links/BM (low) Consumer Goods	High Heterogeneity (11/13 Dims) Highest importance on: Banking (31/99 Hits, 31%) Further focused (above avg company) on: Technology (16/99 Hits, 16%) Transportation (21/99 Hits, 21%)	Highest ranking company in the sample on Transportation (21/99 Hits, 21%/4%, +17%) Further focused (above avg all companies) on: Automotive (5%/2%; +3%) Banking (31%/28%; +3%) Energy (4%/2%; +2%) Technology (16%/13%; +3%) Telecom (1%/1%; +0%) Governmental (6%/6%; +0%) Media (2%/2%; +0%)	Highest ranking within Industry: Auto (5%/2%; +3%) Energy (4%/2%; +2%) Tech (16%/12%; +4%) Transport (21%/8%; +13%) Further focus on (above avg of industry): Banking (31%/31%; +0%) Telecom (1%/1%; +0%)
Roche	15 BM (high) 150 Hits Dim. (7.72%, high) 10 links/BM (high) Health Care	High Heterogeneity (13/13 Dims) Highest importance on: Governmental (32/150 Hits, 21%) Further focused (above avg company) on: Pharmacy (19/150 Hits, 13%) Banking (30/150 Hits, 20%) Technology (17/150 Hits, 11%) Services (18/150 Hits, 12%)	Highest ranking company in the sample on Energy (9/150 Hits, 6%/2%, +4%) and Governmental (32/150 Hits, 21%/6%, +15%) Further focused (above avg all companies) on: Automotive (2%/2%; +0%) Telecom (1%/1%; +0%) Food (7%/5%; +2%) Other (2%/2%; +0%)	Highest ranking within Industry: Energy (6%/2%; +4%) Telecom (1%/0%; +1%) Services (12%/8%; +4%) Governmental (21%/7%; +14%) Food (7%/3%; +4%) Media (1%/0%; +1%) Further focus on (above avg of industry): Auto (2%/2%; +0%) Banking (20%/16%; +4%) Transport (3%/3%; +0%)
SGS	7 BM (high low) 36 Hits Dim. (1.85%, low) 5.14 links/BM (low) Industrials	Low Heterogeneity (8/13 Dims) Highest importance on: Banking (14/36 Hits, 39%) Further focused (above avg company) on: Automotive (3/36 Hits, 8%) Technology (8/36 Hits, 22%)	Highest ranking company in the sample on Automotive (3/36 Hits, 8%/2%, +6%) together with UBS Further focused (above avg all companies) on: Banking (39%/28%; 11%) Energy (3%/2%; +1%) Technology (22%/13%; +9%) Governmental (6%/6%; +0%) Food (6%/5%; +1%) Media (6%/2%; +4%) Other (3%/2%; +1%)	Highest ranking within Industry: Auto (8%/3%; +5%) Banking (39%/23%; +16%) Governmental (6%/4%; +2%) Media (6%/2%; +4%) Other (3%/1%; +2%) Further focus on (above avg of industry): Tech (22%/20%; +2%) Food (6%/4%; +2%)
Swatch	8 BM (low) 28 Hits Dim. (1.44%, low) 3.5 links/BM (low) Consumer Goods	Low Heterogeneity (8/13 Dims) Highest importance on: Banking (9/28 Hits, 32%) Further focused (above avg company) on: Pharmacy (4/28 Hits, 14%) Technology (4/28 Hits, 14%) Services (5/28 Hits, 18%)	Further focused (above avg all companies) on: Banking (32%/28%; +4%) Technology (14%/13%; +1%) Services (18%/13%; +5%) Transportation (4%/4%; +0%) Governmental (7%/6%; +1%) Food (7%/5%; +2%) Other (4%/2%; +1%)	Highest ranking within Industry: Pharmacy (14%/8%; +6%) Banking (32%/31%; +1%) Services (18%/12%; +6%) Other (4%/1%; +3%) Further focus on (above avg of industry): Tech (14%/12%; +2%)

Swisscom	10 BM (low) 86 Hits Dim. (3.50%, low) 6.80 links/BM (low) Telecom	High Heterogeneity (12/13 Dims) Highest importance on: Governmental (10/86 Hits, 15%) Further focused (above avg company) on: Pharmacy (6/86 Hits, 9%) Banking (8/86 Hits, 12%) Telecom (8/86 Hits, 12%) Technology (6/86 Hits, 9%) Transportation (8/86 Hits, 12%) Media (7/86 Hits, 10%)	Highest ranking company in the sample on Telecom (12/86 Hits, 12%/1%, +11%) and Media (7/86 Hits, 10%/2%, +8%) Further focused (above avg all companies) on: IT (6%/2%; +4%) Transportation (12%/4%; +8%) Governmental (15%/6%; +9%) Food (6%/5%; +1%)	There is only one company in the Telecom industry. Comparison within industry therefore is not possible.
SwissLife	9 BM (low) 74 Hits Dim. (3.81%, low) 8.22 links/BM (high) Financials	High Heterogeneity (11/13 Dims) Highest importance on: Banking (31/74 Hits, 42%) Further focused (above avg company) on: Technology (6/74 Hits, 8%) Services (15/74 Hits, 20%) Governmental (11/74 Hits, 15%)	Further focused (above avg all companies) on: Banking (42%/28%; +14%) IT (3%/2%; +1%) Services (20%/13%; +7%) Transportation (4%/4%; +0%) Governmental (15%/6%; +9%) Other (4%/2%; +2%)	Highest ranking within Industry: Governmental (15%/7%; +8%) Other (4%/2%; +2%) Further focus on (above avg of industry): IT (3%/2%; +1%) Services (20%/16%; +4%) Transport (4%/3%; +1%)
SwissRe	13 BM (high) 104 Hits Dim. (5.36%, high) 8 links/BM (high) Financials	High Heterogeneity (11/13 Dims) Highest importance on: Banking (51/104 Hits, 49%) Further focused (above avg company) on: Services (20/104 Hits, 19%) Governmental (13/104 Hits, 13%)	Further focused (above avg all companies) on: Automotive (4%/2%; +2%) Banking (49%/28%; +21%) Energy (5%/2%; +3%) Services (19%/13%; +6%) Governmental (13%/6%; +7%)	Highest ranking within Industry: Energy (5%/2%; +3%) Further focus on (above avg of industry): Auto (4%/3%; +1%) Banking (49%/45%; +4%) Services (19%/16%; +3%) Governmental (13%/7%; +6%) Media (1%/0%; +1%)
Syngenta	11 BM (high) 90 Hits Dim. (4.63%, high) 8.18 links/BM (high) Basic Materials	High Heterogeneity (11/13 Dims) Highest importance on: Pharmacy (29/90 Hits, 32%) Further focused (above avg company) on: Banking (22/90 Hits, 24%) Technology (7/90 Hits, 8%) Services (9/90 Hits, 10%) Food (12/90 Hits, 13%)	Further focused (above avg all companies) on: Pharmacy (32%/23%; +12%) Telecom (1%/1%; +0%) Food (13%/5%; +8%) Media (6%/2%; +4%) Other (2%/2%; +0%)	Highest ranking within Industry: Auto (1%/1%; +0%) Banking (24%/20%; +2%) Telecom (1%/0%; +1%) Food (13%/5%; +2%) Media (6%/3%; +3%) Other (2%/1%; +1%)
Synthes	10 BM (low) 45 Hits Dim. (2.32%, low) 4.5 links/BM (low) Health Care	Low Heterogeneity (6/13 Dims) Highest importance on: Pharmacy (32/45 Hits, 69%) Further focused (above avg company) on: Banking (4/45 Hits, 9%) Other (5/45 Hits, 11%)	Highest ranking company in the sample on Pharmacy (31/45 Hits, 69%/20%, +49%) and Other (5/45 Hits, 11%/2%, +9%) Further focused (above avg all companies) on: Transportation (4%/4%; +0%)	Highest ranking within Industry: Pharmacy (69%/41%; +28%) Transport (4%/3%; +1%) Other (11%/4%; +7%)
UBS	12 BM (high) 63 Hits Dim. (3.24%, low) 5.25 links/BM (low) Financials	Low Heterogeneity (8/13 Dims) Highest importance on: Banking (23/63 Hits, 37%) Further focused (above avg company) on: Automotive (5/63 Hits, 8%) Pharmacy (10/63 Hits, 16%) Services (15/63 Hits, 24%)	Highest ranking company in the sample on Automotive (5/63 Hits, 8%/2%, +4%) together with Swatch Further focused (above avg all companies) on: Banking (37%/28%; +9%) Energy (3%/2%; +1%) Services (24%/13%; +11%) Food (6%/5%; +1%) Other (2%/2%; +2%)	Highest ranking within Industry: Auto (8%/3%; +5%) Pharmacy (16%/7%; +9%) Services (24%/16%; +8%) Further focus on (above avg of industry): Energy (3%/2%; +1%) Food (6%/4%; +2%) Other (2%/2%; +0%)

Zürich	12 BM (high) 111 Hits Dim. (5.72%, high) 9.25 links/BM (high) Financials	High Heterogeneity (11/13 Dims) Highest importance on: Banking (33/111 Hits, 30%) Further focused (above avg company) on: Pharmacy (12/111 Hits, 11%) Technology (25/111 Hits, 23%) Services (13/111 Hits, 12%) Governmental (10/111 Hits, 9%)	Further focused (above avg all companies) on: Automotive (5%/2%; +3%) Banking (30%/28%; +2%) IT (3%/2%; +1%) Telecom (2%/1%; +1%) Technology (23%/13%; +10%) Governmental (9%/6%; +3%) Media (2%/2%; +0%) Other (4%/2%; +2%)	Highest ranking within Industry: Telecom (2%/0%; +2%) Tech (23%/9%; +14%) Media (2%/0%; +2%) Other (4%/2%; +2%) Further focus on (above avg of industry): Auto (5%/3%; +2%) Pharmacy (11%/7%; +4%) IT (3%/2%; +1%) Governmental (9%/7%; +2%)
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Figure 74: Overview on business (BHC 3) & industry experts (BHC 2).

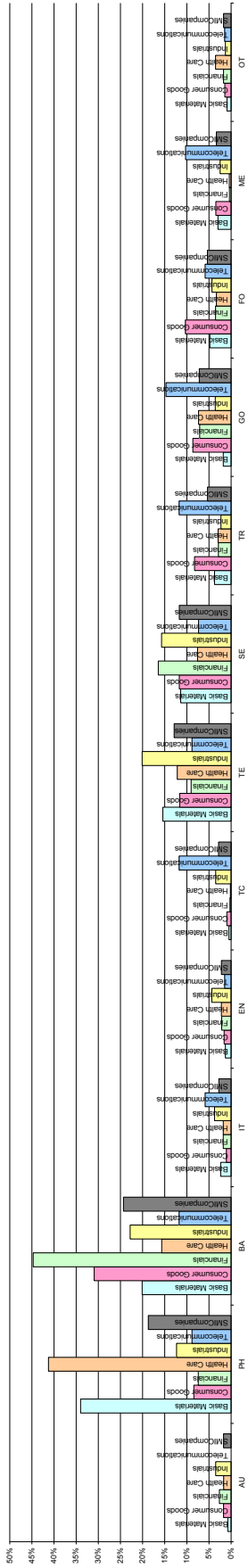
E.8 Business & Industry Capital by Company

Companies		Industry Cluster	BM	Relationships				Distribution of Frequency / Company																Board Minutes / BM												
				Freq / Airtels	Rel Freq /Hrs	Rel Freq /BM	Rel Freq /Firm	Automotive		Pharma		Banking		IT		Energy		Telecom- multinationals		Tech		Services		Transportation		Governmental		Food		Media		Other		AVG	STD	HET
Companies			264	1342	100.0%	100.0%	40	2.1%	338	17.6%	552	28.4%	46	2.4%	49	2.5%	28	1.4%	281	12.9%	246	12.7%	76	3.9%	137	7.4%	104	5.4%	46	2.3%	30	1.5%	148.4	167.3	13	52
ABB	Industrials	8	87	4.48%	10.88	100.0%	4	0%	16	1.6%	19	2.2%	11	1.5%	4	6%	4	5%	22	25%	1	1%	3	3.5%	3	3%	0	0%	0	0%	0	0%	6.89 <th>7.67</th> <th>10</th> <th>22</th>	7.67	10	22
Adcoo	Financials	9	75	3.86%	8.33	100.0%	0	0%	9	1.2%	4	5%	1	1%	3	4%	7	8%	8	11%	30	10%	1	2%	3	6%	5	10%	0	0%	1	1%	5.77 <th>7.95</th> <th>12</th> <th>30</th>	7.95	12	30
Adcoo	Financials	10	48	2.47%	4.80	100.0%	0	0%	6	1.5%	20	42%	0	0%	0	0%	0	0%	8	17%	5	10%	1	2%	3	6%	5	10%	0	0%	0	0%	3.69 <th>5.65</th> <th>7</th> <th>20</th>	5.65	7	20
Asia	Basic Materials	8	83	4.27%	10.38	100.0%	1	1%	18	22%	10	12%	0	0%	1	1%	0	0%	8	17%	5	10%	1	2%	3	6%	5	10%	0	0%	1	1%	6.38 <th>8.24</th> <th>11</th> <th>27</th>	8.24	11	27
Chemart	Basic Materials	8	74	3.81%	9.28	100.0%	1	1%	13	29%	18	24%	6	8%	0	0%	1	1%	15	20%	9	12%	7	9%	0	0%	0	0%	1	1%	1	1%	5.69 <th>6.00</th> <th>10</th> <th>18</th>	6.00	10	18
Cardifabre	Financials	14	117	6.02%	8.36	100.0%	0	0%	3	3%	70	60%	2	2%	6	8%	0	0%	12	10%	8	7%	4	5%	2	2%	8	7%	0	0%	2	2%	8.00 <th>18.69</th> <th>10</th> <th>78</th>	18.69	10	78
Canadian	Basic Materials	7	67	3.45%	9.87	100.0%	0	0%	29	43%	16	24%	0	0%	0	0%	0	0%	4	6%	10	15%	2	3%	2	3%	2	3%	0	0%	2	2%	5.15 <th>6.58</th> <th>8</th> <th>29</th>	6.58	8	29
Hechem	Industrials	13	99	5.10%	7.62	100.0%	1	1%	16	16%	23	25%	1	1%	6	6%	0	0%	22	22%	16	15%	3	3%	4	4%	1	1%	3	3%	1	1%	7.62 <th>8.86</th> <th>12</th> <th>25</th>	8.86	12	25
Linamar	Financials	9	57	2.84%	6.33	100.0%	0	0%	1	2%	31	64%	3	5%	1	2%	0	0%	0	0%	13	23%	5	8%	3	5%	4	5%	0	0%	0	0%	4.38 <th>6.78</th> <th>7</th> <th>31</th>	6.78	7	31
Lanza	Basic Materials	6	38	1.96%	6.33	100.0%	0	0%	20	53%	6	16%	1	3%	2	5%	0	0%	0	0%	4	11%	2	5%	1	3%	0	0%	0	0%	0	0%	2.92 <th>5.44</th> <th>8</th> <th>20</th>	5.44	8	20
Novobore	Consumer Goods	16	157	8.06%	9.81	100.0%	0	0%	14	8%	46	29%	5	3%	1	1%	3	2%	7	4%	16	10%	0	0%	20	13%	31	20%	13	8%	1	1%	12.08 <th>13.60</th> <th>11</th> <th>46</th>	13.60	11	46
Novobore	Health Care	9	66	3.40%	7.23	100.0%	0	0%	32	48%	8	12%	3	5%	0	0%	0	0%	13	20%	5	6%	2	3%	1	2%	2	3%	0	0%	0	0%	6.15 <th>6.97</th> <th>8</th> <th>32</th>	6.97	8	32
Novartis	Health Care	14	106	5.46%	7.92	100.0%	5	5%	37	35%	23	22%	2	2%	3	3%	0	0%	14	13%	9	8%	1	1%	7	2%	3	3%	1	1%	1	1%	8.18 <th>10.44</th> <th>12</th> <th>37</th>	10.44	12	37
Novartis	Consumer Goods	16	99	5.10%	6.19	100.0%	5	5%	2	2%	31	31%	0	0%	4	4%	1	1%	16	16%	7	7%	21	21%	6	6%	4	4%	2	2%	0	0%	7.62 <th>9.38</th> <th>11</th> <th>32</th>	9.38	11	32
Novartis	Health Care	19	150	7.72%	10.00	100.0%	3	2%	19	13%	30	20%	1	1%	9	6%	1	1%	17	11%	16	12%	5	3%	32	21%	11	7%	1	1%	3	2%	11.64 <th>10.68</th> <th>13</th> <th>22</th>	10.68	13	22
Novartis	Industrials	7	36	1.65%	5.14	100.0%	3	8%	1	3%	14	38%	0	0%	1	3%	0	0%	8	22%	2	6%	0	0%	2	6%	2	6%	0	0%	1	4%	2.77 <th>3.66</th> <th>10</th> <th>14</th>	3.66	10	14
Novartis	Consumer Goods	8	28	1.44%	3.50	100.0%	0	0%	4	14%	9	32%	0	0%	0	0%	0	0%	4	14%	5	18%	1	4%	2	9%	2	7%	0	0%	1	4%	2.15 <th>2.70</th> <th>8</th> <th>9</th>	2.70	8	9
Novartis	Financials	10	48	3.50%	6.50	100.0%	0	0%	6	3%	8	12%	4	6%	0	1%	8	12%	6	9%	5	7%	8	12%	10	15%	4	6%	7	10%	3	4%	5.23 <th>3.11</th> <th>12</th> <th>10</th>	3.11	12	10
Novartis	Financials	9	74	3.81%	8.22	100.0%	1	4%	2	3%	31	42%	2	3%	0	0%	0	0%	6	6%	15	20%	3	4%	11	15%	0	0%	0	0%	3	4%	5.69 <th>6.69</th> <th>9</th> <th>31</th>	6.69	9	31
Novartis	Basic Materials	13	40	2.40%	8.00	100.0%	4	4%	29	32%	22	24%	1	1%	5	8%	0	0%	1	4%	20	18%	1	1%	13	15%	12	15%	1	1%	1	1%	8.00 <th>14.50</th> <th>11</th> <th>21</th>	14.50	11	21
Novartis	Health Care	11	90	4.65%	6.18	100.0%	1	4%	23	32%	22	24%	1	1%	0	0%	1	1%	7	8%	9	10%	0	0%	1	1%	12	15%	5	6%	2	2%	6.32 <th>8.17</th> <th>11</th> <th>20</th>	8.17	11	20
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23
Novartis	Health Care	12	46	2.23%	4.50	100.0%	0	0%	31	69%	4	9%	0	0%	0	0%	0	0%	2	4%	1	24%	2	4%	0	0%	0	0%	0	0%	5	11%	3.66 <th>6.44</th> <th>8</th> <th>23</th>	6.44	8	23

E.9 Business & Industry Capital by Industry

Companies	Industry Cluster	Relationships				Distribution of Frequency / Company												Board Mandates / BM																		
		BM	Freq / AHBts	Rel. Freq / BM	Rel. Freq / AHBts	Automotive	Pharma	Banking	IT	Energy	Telecom-munications	Tech	Services	Transportation	Governmental	Food	Media	Other	AVG	STD	HET	Max														
Companies		254	1942	100.00%	7.65	100.00%	40	2.1%	37.48	100.00%	1	2.5%	28	1.4%	251	12.9%	248	12.2%	76	3.9%	137	7.1%	104	5.4%	45	2.3%	30	1.6%	149.4	16.24	13	552				
	Basic Materials	8	63	4.27%	10.38	100.00%	1	1%	18	22%	10	12%	0	0%	27	33%	12	14%	4	5%	2	0%	0	0%	1	1%	1	1%	5.69	6.50	11	27				
	Chemical	7	74	3.81%	9.25	100.00%	1	1%	15	20%	18	24%	6	8%	1	1%	15	20%	9	12%	7	9%	2	0%	1	1%	1	1%	5.69	6.50	8	18				
	Basic Materials	6	67	3.45%	9.97	100.00%	0	0%	20	45%	16	24%	0	0%	4	6%	0	15%	2	3%	2	3%	2	0%	0	0%	0	0%	5.15	5.68	10	29				
	Basic Materials	6	38	1.96%	6.33	100.00%	0	0%	20	45%	6	16%	1	3%	2	5%	0	4%	11%	2	5%	0	0%	0	0%	0	0%	2.92	5.44	8	20					
	Basic Materials	11	90	4.63%	8.18	100.00%	1	1%	29	32%	22	24%	1	3%	1	1%	7	8%	9	10%	0	1%	12	13%	5	8%	2	2%	6.92	9.17	11	29				
	Consumer Goods	16	157	8.06%	9.81	100.00%	0	0%	14	9%	46	23%	5	3%	1	2%	7	4%	18	10%	20	13%	31	20%	13	8%	1	1%	12.08	13.60	11	41				
	Consumer Goods	10	99	5.10%	6.19	100.00%	5	8%	2	3%	31	3%	4	4%	1	4%	1	16	18%	7	7%	21	21%	6	8%	4	2%	0	0%	7.62	9.38	11	31			
	Consumer Goods	8	28	1.44%	3.50	100.00%	0	0%	4	14%	9	32%	0	0%	0	0%	4	14%	5	18%	1	2%	2	7%	2	0%	1	4%	2.15	2.70	8	20				
	Financials	10	48	2.47%	4.80	100.00%	0	0%	6	13%	20	42%	0	0%	0	0%	8	17%	5	10%	1	2%	3	6%	5	10%	0	0%	3.69	5.65	7	20				
	Financials	14	117	6.02%	8.38	100.00%	0	0%	3	3%	70	66%	2	2%	1	0%	12	15%	8	9%	4	3%	2	8	7%	0	0%	4.00	18.69	10	70					
	Financials	9	57	2.94%	6.33	100.00%	0	0%	1	2%	31	54%	3	8%	1	2%	0	0%	13	23%	5	3%	2	8	7%	0	0%	4.38	8.78	7	31					
	Financials	9	74	3.81%	8.22	100.00%	1	4%	2	3%	31	42%	2	3%	0	0%	6	8%	15	20%	3	4%	11	15%	0	0%	3	4%	5.68	8.89	9	31				
	Financials	13	104	5.36%	8.00	100.00%	4	4%	6	6%	51	49%	0	0%	5	6%	0	1%	20	19%	1	4%	13	13%	1	1%	1	1%	5.00	14.20	11	51				
	Financials	12	63	3.24%	5.25	100.00%	5	8%	10	16%	23	37%	0	0%	2	3%	0	0%	3	5%	15	24%	0	0%	4	6%	0	0%	4.68	7.09	8	23				
	Financials	12	111	5.72%	9.28	100.00%	6	8%	12	11%	33	30%	3	3%	0	0%	2	2%	25	23%	13	12%	1	1%	10	9%	0	0%	4.54	10.20	11	33				
	Health Care	9	66	3.40%	7.33	100.00%	8	12%	3	46%	8	12%	3	5%	0	0%	0	13	20%	5	8%	2	3%	1	2%	3	0%	0	0%	3.68	8.97	8	32			
	Health Care	14	108	5.46%	7.57	100.00%	5	8%	37	35%	23	22%	2	2%	3	3%	3	14	13%	9	8%	1	7%	3	3%	1	1%	5.15	10.84	12	37					
	Health Care	10	152	7.82%	10.00	100.00%	3	2%	19	13%	30	26%	1	1%	0	6%	1	7%	11%	18	12%	5	3%	2	21%	11	7%	3	3%	4.38	10.84	13	52			
	Health Care	10	45	2.32%	4.50	100.00%	0	0%	3	7%	19	36%	4	9%	0	0%	4	9%	7	11%	2	4%	0	0%	0	0%	0	0%	2.94	5.44	6	31				
	Industrials	8	71	3.65%	9.00	100.00%	0	0%	10	14%	17	13%	4	7%	0	0%	22	24%	30	40%	2	3%	3	3%	0	0%	0	0%	5.97	7.98	12	26				
	Industrials	8	36	1.86%	5.60	100.00%	0	0%	10	14%	17	13%	4	7%	0	0%	22	24%	30	40%	2	3%	3	3%	1	1%	1	1%	5.97	7.98	12	26				
	Industrials	13	99	5.10%	7.62	100.00%	1	1%	16	19%	25	20%	1	1%	0	6%	0	2	23%	16	14%	3	3%	4	4%	1	1%	7.62	8.98	12	26					
	Industrials	2	36	1.86%	5.04	100.00%	3	8%	3	3%	14	39%	0	0%	1	3%	0	0%	8	22%	2	0%	6	2	6%	2	3%	27.7	3.98	10	14					
	Industrials	10	68	3.50%	6.80	100.00%	0	0%	6	9%	8	12%	4	6%	1	1%	8	12%	6	9%	5	7%	4	6%	7	10%	1	1%	5.21	11	12	10				
Average All Companies		1058	8032	4.17%	7.87	100.00%	167	2%	14.08	20%	23.08	182	2%	2.04	2%	117	1%	10.48	13%	10.25	13%	3.17	4%	6.71	6%	1.88	2%	1.26	2%	6.22	8.67	9.93	39.21			
StandardDev		2.96	33.20	1.71%	2.00	0.00%	2.08	3%	10.96	18%	15.98	14%	2.59	3%	2.49	2%	2.22	3%	7.80	8%	6.95	8%	4.36	5%	7.60	6%	2.58	3%	1.33	2%	2.56	3.53	1.93	13.09		
Companies	Industry Cluster	Relationships				Distribution of Frequency / Company												Board Mandates / BM																		
		BM	Freq / AHBts	Rel. Freq / BM	Rel. Freq / AHBts	Automotive	Pharma	Banking	IT	Energy	Telecom-munications	Tech	Services	Transportation	Governmental	Food	Media	Other	AVG	STD	HET	Max														
5	Basic Materials	40	352	16%	8.80	100.00%	3	1%	111	34%	72	20%	8	2%	3	1%	0	57	15%	42	11%	13	4%	7	2%	18	8%	12	3%	4	1%	8%	10%	13	34%	
3	Consumer Goods	66	316	15%	7.10	100.00%	16	3%	20	8%	36	31%	6	1%	5	2%	4	1%	27	12%	28	16%	22	6%	28	9%	37	10%	15	3%	2	1%	8%	12%	13	31%
7	Financials	79	574	30%	7.27	100.00%	16	3%	40	7%	269	49%	10	2%	1	0%	56	9%	69	16%	35	4%	7%	16	4%	3	0%	1	1%	8%	12%	13	45%			
4	Health Care	48	397	19%	7.65	100.00%	8	3%	119	41%	65	19%	6	2%	12	2%	1	0%	46	12%	33	8%	16	3%	2	0%	9	4%	8%	11%	13	41%				
4	Industrials	37	207	15%	8.03	100.00%	8	3%	42	12%	62	23%	13	4%	14	4%	11	3%	60	20%	49	16%	8	2%	10	4%	11	4%	7%	13	23%					
1	Telecommunications	10	68	4%	6.80	100.00%	0	0%	6	9%	8	12%	4	6%	1	1%	8	12%	6	9%	5	7%	4	6%	7	10%	1	1%	8%	9%	12	31%				
24	Telecommunications	254	1942	100%	7.65	100.00%	40	2%	338	20%	552	28%	46	2%	49	2%	28	1%	251	13%	248	13%	76	4%	137	6%	104	5%	46	2%	30	2%	8%	9%	12.83	31%

Figure 76: Business and Industry Knowledge of Corporate Boards by Industry in the SMI Sample



E.10 SMI Board Demography

Company	Number BM	Unassigned Age	Assigned Age	Average Age	CH Nationality	% CH	Foreign Nationality	% Foreign	Unassigned Nationality	Assigned Nationality	Ratio Foreign/CH	Count m	% m	Count f	% f	Ratio female
ABB	8	0	8	59.13	1	13%	7	88%	0	8	7.00	8	100%	0	0%	0.00
Addeco	9	0	9	63.67	2	22%	7	78%	0	9	3.50	9	100%	0	0%	0.00
Balise	10	0	10	62.60	8	80%	2	20%	0	10	0.25	8	80%	2	20%	0.25
Ciba	8	0	8	60.50	4	50%	4	50%	0	8	1.00	7	88%	1	13%	0.14
Clariant	8	0	8	59.75	5	63%	3	38%	0	8	0.60	8	100%	0	0%	0.00
CreditSuisse	14	1	13	62.38	7	50%	7	50%	0	14	1.00	13	93%	1	7%	0.08
Givaudan	7	0	7	60.28	4	57%	3	43%	0	7	0.75	7	100%	0	0%	0.00
Holcim	13	0	13	59.89	10	77%	3	23%	0	13	0.30	13	100%	0	0%	0.00
JuliusBar	9	0	9	53.44	7	78%	2	22%	0	9	2.00	7	78%	2	22%	0.29
Lonza	6	0	6	60.83	2	33%	4	67%	0	6	2.00	5	83%	1	17%	0.20
Nestle	16	2	14	59.50	7	50%	7	50%	2	14	1.00	14	88%	2	13%	0.14
NobelBiocare	9	0	9	52.00	4	44%	5	56%	0	9	1.25	7	78%	2	22%	0.29
Novartis	14	12	2	55.50	5	50%	5	50%	4	10	1.00	13	93%	1	7%	0.08
Richemont	16	1	15	62.27	1	7%	14	93%	1	15	14.00	14	88%	2	13%	0.14
Roche	15	6	9	59.00	3	33%	6	67%	6	9	2.00	14	93%	1	7%	0.07
SGS	7	0	7	54.57	2	29%	5	71%	0	7	2.50	7	100%	0	0%	0.00
Swatch	8	8	0	Unassigned	8	100%	0	0%	0	8	0.00	6	75%	2	25%	0.33
Swisscom	10	0	10	55.60	8	80%	2	20%	0	10	0.25	8	80%	2	20%	0.25
SwissLife	9	0	9	58.44	7	78%	2	22%	0	9	0.29	8	89%	1	11%	0.13
SwissRe	13	0	13	57.85	9	69%	4	31%	0	13	0.44	12	92%	1	8%	0.08
Syngenta	11	0	11	59.00	5	45%	6	55%	0	11	1.20	10	91%	1	9%	0.10
Syntes	10	0	10	66.20	3	30%	7	70%	0	10	2.33	10	100%	0	0%	0.00
UBS	12	0	12	55.75	2	100%	0	0%	10	2	0.00	11	92%	1	8%	0.09
Zurich	12	0	12	60.33	5	42%	7	58%	0	12	1.40	11	92%	1	8%	0.09
Total	254	30	224	59.31	119	52%	112	48%	23	231	0.94	230	91%	24	9%	0.10
Average	10.58	12%	89%						9%	91%						

Figure 77: Board Demographics and Characteristics (Full Data)

E.12 SMI Company Corporate Governance Understanding

Companies	CG Understanding	Commitment	Companies	CG Understanding	Commitment
ABB	no specific understanding	x highest international standards of capital markets its shares are listed and traded x SWX Regulations x Swiss Code of Best Practice	Novartis	no specific understanding	x highest international standards of capital markets its shares are listed and traded x SWX Regulations x Swiss Code of Best Practice
Adecco	no specific understanding	x SWX Regulations	Richemont	no specific understanding	x highest international standards of capital markets its shares are listed and traded x SWX Regulations x Swiss Code of Best Practice
Baloise	Stakeholder Oriented x Influence on Corporate Culture (ethical) x Society x Employees	x SWX Regulations x Swiss Code of Best Practice	Roche	no specific understanding	x highest international standards of capital markets its shares are listed and traded x SWX Regulations x Swiss Code of Best Practice
Ciba	no specific understanding	x highest standards of integrity and transparency reflecting recent developments in corporate governance principles x SWX Regulations x Swiss Code of Best Practice	SGS	Stakeholder Oriented	x SWX Regulations
Clariant	Stakeholder Oriented x CG Definition refers to Corporate Social Responsibility	x SWX Regulations	Swatch	no specific understanding	x SWX Regulations
Credit Suisse	Stakeholder Oriented x Shareholders / Investors x All other stakeholders	x highest international standards of capital markets its shares are listed and traded x SWX Regulations x Swiss Code of Best Practice	Swisscom	Stakeholder Oriented x CG Definition refers to Corporate Social Responsibility	x SWX Regulations
Givaudan	Stakeholder Oriented x CG Definition refers to Corporate Social Responsibility	x highest international standards of capital markets its shares are listed and traded x SWX Regulations x Swiss Code of Best Practice	SwissLife	Stakeholder Oriented x CG Definition refers to Corporate Social Responsibility x shareholders x all other stakeholders	x highest international standards of capital markets its shares are listed and traded x SWX Regulations x Swiss Code of Best Practice
Holcim	Stakeholder Oriented x Shareholders x Customers x Employees x Local Communities	x SWX Regulations	SwissRe	Stakeholder Oriented x CG Definition refers to Corporate Social Responsibility x shareholders x employees	x highest international standards of capital markets its shares are listed and traded x SWX Regulations x Swiss Code of Best Practice
JuliusBär	Stakeholder Oriented x Shareholders x Customers x Employees	x «Angaben zur Anwendung der Richtlinie Corporate Governance» der Eidgenössischen Bankenkommission x SWX Regulations x Swiss Code of Best Practice	Syngenta	no specific understanding	x highest international standards of capital markets its shares are listed and traded x SWX Regulations x Swiss Code of Best Practice
Lonza	no specific understanding	x SWX Regulations	Synthes	no specific understanding	x SWX Regulations
Nestlé	Stakeholder Oriented x CG Definition refers to Corporate Social Responsibility	x SWX Regulations	UBS	Stakeholder Oriented x shareholders x all other stakeholders	x «Angaben zur Anwendung der Richtlinie Corporate Governance» der Eidgenössischen Bankenkommission x SWX Regulations x Swiss Code of Best Practice
NobelBiocare	Stakeholder Oriented x CG Definition refers to Corporate Social Responsibility	x highest international standards of capital markets its shares are listed and traded x SWX Regulations x Swiss Code of Best Practice	Zürich	Stakeholder Oriented x CG Definition refers to Corporate Social Responsibility x shareholders x employees x customers x communities	x SWX Regulations
Coding Dimension	Comment	Exemplary CG Understanding		Company Example	
no specific understanding	x The company either states no specific CG Understanding or the CG understanding refers to regulatory standards. x Additional information related to the corporate governance understanding as stated by the company does not refer to a stakeholder orientation in the Corporate Governance System.	ABB is committed to the highest international standards of corporate governance, and supports the general principles as set forth in the Swiss Code of Best Practice, as well as those of the capital markets where its shares are listed and traded. In addition to the provisions of the Swiss Code of Obligations, ABB's key principles and rules on corporate governance are laid down in ABB's Articles of Incorporation, the ABB Ltd Board Regulations, the regulations of ABB's board committees, and the ABB Code of Conduct. It is the duty of ABB's Board of Directors (the Board) to review and amend or propose amendments to those documents from time to time to reflect the most recent developments and practices, as well as to ensure compliance with applicable laws and regulations.		ABB x no specific CG understanding x key principles and rules on corporate governance in the indicated documents do not include a shareholder orientation	
stakeholder oriented understanding	x The company clearly states its commitment in corporate governance to specific stakeholder groups other than shareholders or to the society in general. x Additional information related to the corporate governance understanding as stated by the company refers to a stakeholder orientation in the Corporate Governance System.	Corporate governance is the framework comprising a company's organisation, structure, management and assurance functions. Transparency is an important component of the framework, designed to protect the interests of shareholders and create value for all stakeholders. (...) There is a growing connection between corporate governance, corporate sustainability and corporate citizenship. A company's integration of sustainability principles across its business operations and its wider role in society are increasingly being perceived as important drivers of continued business success. All three dimensions are firmly embedded in Swiss Re's corporate responsibility framework, thus enabling the Group to create economic value by improving its environmental and social performance beyond mere compliance with laws and regulations.		Swiss Re x specific corporate governance understanding related to stakeholder orientation x refers to sustainability and corporate citizenship that clearly states the stakeholder orientation in the governance system of the company	

Figure 78: Analysis of Corporate Governance Understanding as stated by the company proxy filings 2006

E.13 SMI Company Context Variables by Industry

Companies	Industry Cluster	BM	Company Characteristics				
			Size	Know-ledge	Regulation	C G Understanding	Business Focus
Ciba	Basic Materials	low	low	low	med	low	internat.
Clariant	Basic Materials	low	low	low	med	high	internat.
Givaudan	Basic Materials	low	low	low	low	high	internat.
Lonza	Basic Materials	low	low	low	med	low	internat.
Syngenta	Basic Materials	med	low	low	med	low	internat.
		0	0	0	0	2	high
	5	1	0	0	4	0	med
		4	5	5	1	3	low
Ranking	Basic Materials	1.20	1.00	1.00	1.80	1.80	internat.
Nestlé	Consumer Goods	high	high	low	med	high	internat.
Richemont	Consumer Goods	high	low	med	low	low	internat.
Swatch	Consumer Goods	low	low	low	low	low	internat.
		2	1	0	0	1	high
	3	0	0	1	1	0	med
		1	2	2	2	2	low
Ranking	Consumer Goods	2.33	1.67	1.33	1.33	1.67	internat.
Baloise	Financials	med	low	high	high	high	internat.
CreditSuisse	Financials	high	med	high	high	high	internat.
JuliusBär	Financials	med	low	med	high	high	internat.
SwissLife	Financials	med	med	high	high	high	internat.
SwissRe	Financials	med	med	high	high	high	internat.
UBS	Financials	med	high	med	high	high	internat.
Zürich	Financials	med	low	high	high	high	internat.
		1	1	5	7	7	high
	7	6	3	2	0	0	med
		0	3	0	0	0	low
Ranking	Financials	2.14	1.71	2.71	3.00	3.00	internat.
NobelBiocare	Health Care	med	low	med	med	high	internat.
Novartis	Health Care	high	high	low	high	low	internat.
Roche	Health Care	high	med	med	high	high	internat.
Synthes	Health Care	low	low	low	med	low	internat.
		2	1	0	2	2	high
	4	1	1	2	2	0	med
		1	2	2	0	2	low
Ranking	Health Care	2.25	1.75	1.50	2.50	2.00	internat.
ABB	Industrials	low	high	low	low	low	internat.
Adecco	Industrials	med	med	med	low	low	internat.
Holcim	Industrials	med	med	low	low	high	internat.
SGS	Industrials	low	med	low	low	low	internat.
		0	1	0	0	1	high
	4	2	3	1	0	0	med
		2	0	3	4	3	low
Ranking	Industrials	1.50	2.25	1.25	1.00	1.50	internat.
Swisscom	Telecommunications	low	low	med	high	high	national
		0	0	0	1	1	high
	1	0	0	1	0	0	med
		1	1	0	0	0	low
Ranking	Telecommunications	1.00	1.00	2.00	3.00	3.00	national

Figure 79: Company Context Variables and Characteristics (Full Data by Industries)

E.14 SMI Company Context Variables by CG Understanding

Companies	Industry Cluster	BM	Company Characteristics				
			Size	Know-ledge	Regulation	CG Understanding	Business Focus
Companies		16					
Clariant	Basic Materials	low	low	low	med	high	internat.
Givaudan	Basic Materials	low	low	low	low	high	internat.
Nestlé	Consumer Goods	high	high	low	med	high	internat.
Baloise	Financials	high	low	high	high	high	internat.
CreditSuisse	Financials	med	med	high	high	high	internat.
JuliusBär	Financials	med	low	med	high	high	internat.
SwissLife	Financials	med	med	high	high	high	internat.
SwissRe	Financials	med	med	high	high	high	internat.
UBS	Financials	med	high	med	high	high	internat.
Zürich	Financials	med	low	high	high	high	internat.
NobelBiocare	Health Care	med	low	med	med	high	internat.
Roche	Health Care	high	med	med	high	high	internat.
Holcim	Industrials	med	med	low	low	high	internat.
Swisscom	Telecommunications	low	low	med	high	high	national
		3	2	5	9	14	high
		8	5	5	3	0	med
		3	7	4	2	0	low
Ranking	STH Oriented	2.00 higher	1.64 higher	2.07 higher	2.50 higher	58% higher	Rating
Ciba	Basic Materials	low	low	low	med	low	internat.
Lonza	Basic Materials	low	low	low	med	low	internat.
Syngenta	Basic Materials	med	low	low	med	low	internat.
Richemont	Consumer Goods	high	low	med	low	low	internat.
Swatch	Consumer Goods	low	low	low	low	low	internat.
Novartis	Health Care	high	high	low	high	low	internat.
Synthes	Health Care	low	low	low	med	low	internat.
SGS	Industrials	low	med	low	low	low	internat.
ABB	Industrials	low	high	low	low	low	internat.
Adecco	Industrials	med	med	med	low	low	internat.
		2	2	0	1	0	high
		2	2	2	4	0	med
		6	6	8	5	10	low
Ranking	Not STH Oriented	1.60 lower	1.60 lower	1.20 lower	1.60 lower	42% lower	Rating
Difference		0.40	0.04	0.87	0.90	0.17	Difference

Figure 80: Company Context Variables and Characteristics (Full Data by CG Understanding)

E.15 SMI Company Context Variables by Board Size

Companies	Industry Cluster	BM	Company Characteristics			
			Size	Know-ledge	Regulation	CG Understanding
Nestlé	Consumer Goods	high	high	low	med	high
Richemont	Consumer Goods	high	low	med	low	low
CreditSuisse	Financials	high	med	high	high	high
Novartis	Health Care	high	high	low	high	low
Roche	Health Care	high	med	med	high	high
5		5	2	1	3	3
		0	2	2	1	0
		0	1	2	1	2
Ranking	High	3.00	2.20	1.80	2.40	2.20
Ciba	Basic Materials	low	low	low	med	low
Clariant	Basic Materials	low	low	low	med	high
Givaudan	Basic Materials	low	low	low	low	high
Lonza	Basic Materials	low	low	low	med	low
Swatch	Consumer Goods	low	low	low	low	low
Synthes	Health Care	low	low	low	med	low
ABB	Industrials	low	high	low	low	low
SGS	Industrials	low	med	low	low	low
Swisscom	Telecommunications	low	low	med	high	high
9		0	1	0	1	3
		0	1	1	4	0
		9	7	8	4	6
Ranking	Low	1.00	1.33	1.11	1.67	1.67
Syngenta	Basic Materials	med	low	low	med	low
Baloise	Financials	med	low	high	high	high
JuliusBär	Financials	med	low	med	high	high
SwissLife	Financials	med	med	high	high	high
SwissRe	Financials	med	med	high	high	high
UBS	Financials	med	high	med	high	high
Zürich	Financials	med	low	high	high	high
NobelBiocare	Health Care	med	low	med	med	high
Adecco	Industrials	med	med	med	low	low
Holcim	Industrials	med	med	low	low	high
10		0	1	4	6	8
		10	4	4	2	0
		0	5	2	2	2
Ranking	Medium	2.00	1.60	2.20	2.40	2.60

Figure 81: Company Context Variables and Characteristics (Full Data by Board Size)

ANNEX F: CASE DATA

F.1 Overview & Comparison –Company Characteristics

	Suva	Swisscom	Swiss Re
	Schweizerische Unfallversicherungsanstalt	Swisscom AG	Schweizerische Rückversicherungsgesellschaft AG
Industry	Financial Services (Insurance Industry)	Telecommunication (Full-Service Provider)	Financial Services (Reinsurance Industry)
Geographical Focus	Service Industry	Service Industry	Service Industry
Foundation	National Focus	National Focus (but increasingly European Focus)	Multinational Focus
Shares and Listing	1912	1998 (formerly PTT founded in 1852)	1863
	Not traded	SWX traded	SWX traded
Employees	100 % Governmental property	58.4% of shares by Swiss government	58,43 % of shares by institutional investors
Revenue	2'682	16'739	8'882
	CHF 156 Mio.	CHF 2'346 Mio.	CHF 1'451 Mio.
Sales	CHF 5'840 Mio.	CHF 9'732 Mio	CHF 27'779 Mio.
Size (relative)	Small	High	Medium
Key Stakeholders (Ranks 1-5)	Customers (29.5%) Employees (18.94%) Experts (12.47%) Regulator as multifunctional stakeholder (10.07%) Social Partners (9.83%)	Regulator as multifunctional stakeholder (20.19%) Employees (15.66%) Customers (15.47) Shareholders (14.15%) Stakeholders (general) (9.81%)	Customers (27.60%) Employees (17.43%) Shareholders (16.71%) Stakeholders (general) (12.35%) Regulator (6.54%)
Regulation	High (Influence of Regulator: High)	High (Influence of Regulator: Medium)	High (Influence of Regulator: Low)
Markets	Restricted Market (Part-Monopoly, Largest Competitor) (low competition)	New Liberalized Market (Former Monopoly; Largest Competitor) (high competition)	Established Market (Largest Competitor) (medium competition)
Orientation	Knowledge Capital	Knowledge and increasingly Financial Capital	Knowledge and Financial Capital

Table 50: Overview and Comparison of the Cases – General Company Characteristics

F.2 Overview & Comparison – Corporate Governance Characteristics

	Suva Schweizerische Unfallversicherungsanstalt		Swisscom Swisscom AG		Swiss Re Schweizerische Rückversicherungsgesellschaft AG	
CG Understanding	no explicit CG understanding		CG understanding - Traditional shareholder focus (CG focused on relationships between shareholders, board and executive management)		CG understanding - stakeholder & shareholder focus (CG framework including all stakeholders, corporate systems and processes)	
Compliance	Swiss minimum standards (Swiss GAAP)	full	complies to most important national and international standards		complies with the applicable local rules and regulations of all the countries it does business	
	SWX CGRL	partly	SWX CGRL	full	SWX CGRL	full
			Swiss Code of Best Practice	full	Swiss Code of Best Practice	full
			Additional Self-Regulations			
Board Independence	Independent Board Members	0	Independent Board Members	9	Independent Board Members	10
	each director has a significant business connection with Suva		no director has any significant business connection with Swisscom or any of its Group companies		no director has any significant business connection with Swiss Re or any of its Group companies	
			no personal overlap between chairman and CEO		no personal overlap between chairman and CEO	
Board Tenure	years of duration	6	years of duration	2	years of duration	4
	(re-election possible), max. term	n/a	(re-election possible), max. term	8	(re-election possible), max. term	n/a
	age limit	n/a	age limit	70	age limit	70
Board Meetings	Full plenum (40 board members) twice a year					

Table 51: Overview and Comparison of the Cases – General Corporate Governance Characteristics.

F.3 Overview & Comparison – Board Characteristics

	Suva Schweizerische Unfallversicherungsanstalt		Swisscom Swisscom AG		Swiss Re Schweizerische Rückversicherungsgesellschaft AG	
Board Size	Total number of Board Members	38	Total number of Board Members	10	Total number of Board Members	13
Direct Stakeholder Representation	Direct stakeholder representation of regulator and customers	38	Direct Stakeholder representation of majority shareholder and employees	3	No direct stakeholder representation	0
Board Composition	General Board Members	0	General Board Members	6	General Board Members	12
			Board Secretary	1	Board Secretary	1
	Government (GOV)	6	Government (GOV)	1	Government (GOV)	0
	Employee (EE)	0	Employee (EE)	2	Employee (EE)	0
	Customer (C)	32	Customer (C)	0	Customer (C)	0
	- employee (CEE) - employer (CER)	(16) (16)				
Board Structure	Board Committee (Ausschuss)	7	Board Committee (Ausschuss)	n/a	Board Committee (Ausschuss)	n/a
	Chairman (GOV)	1	Chairman	1	Chairman	1
	1st Vice Chairman (CEE)	1			Executive Vice Chairman	1
	2nd Vice Chairman (CER)	1				
Board Committees	Number of Board Committees	3	Number of Board Committees	5	Number of Board Committees	4
	Financial Commission	s	Financial Commission	s (4)	Audit Committee	s (5)
	Real Estate Supervision Commission	s	Human Resources Commission	s (4)	Compensation Committee	s (4)
	Military Assurance Commission	s	Revision Commission	s (3)	Finance & Risk Committee	s (7)
			Elections	ah (all)	Governance Committee	s (6)
			Executive Salaries	ah/s (4)		

Table 52: Overview and Comparison of the Cases – General Board Characteristics.

F.4 Overview & Comparison – Strategic Stakeholders

Strategic Stakeholders																
Types	Suva					Swisscom					Swiss Re					
	Docs	Interviews	Total	%	R	Docs	Interviews	Total	%	R	Docs	Interviews	Total	%	R	
Customers	68	55	123	29.50	1	29	53	82	15.47	3	58	56	114	27.60	1	
Employees	40	39	79	18.94	2	33	50	83	15.66	2	39	33	72	17.43	2	
Shareholders / Investors	1	8	9	2.16	8	12	63	75	14.15	4	25	44	69	16.71	3	
Stakeholders (general)	2	26	28	6.71	6	26	26	52	9.81	5	31	20	51	12.35	4	
Regulator/ Government/Politics	18	24	42	10.07	4	21	86	107	20.19	1	8	19	27	6.54	5	
Media/Analysts/Rating agencies	1	7	8	1.92	9	5	10	15	2.83	9	4	21	25	6.05	6	
NGOs and Interest Groups	7	0	7	1.68	10	0	4	4	0.75	12	3	14	17	4.12	7	
Industry, Business and Social Partners	4	37	41	9.83	5	9	14	23	4.34	8	6	8	14	3.39	8	
Society and Community Relations	12	7	19	4.56	7	24	19	43	8.11	6	5	7	12	2.91	9	
Experts (e.g. Lawyers, Physicians)	13	39	52	12.47	3	5	5	10	1.89	10	2	7	9	2.18	10	
Suppliers	0	1	1	0.24	13	1	7	8	1.51	11	1	1	2	0.48	11	
Competitors	1	1	2	0.48	12	2	2	4	0.75	13	0	1	1	0.24	12	
Unions	3	3	6	1.44	11	9	15	24	4.53	7	0	0	0	0.00	13	
Total Stakeholders	170	247	417	100		176	354	530	100		182	231	413	100		

Table 53: Overview and Comparison of the Cases – Strategic Stakeholders.

F.5 Overview & Comparison – Wealth Creation Influence

Contribution to Wealth Creation									
	Suva			Swisscom			Swiss Re		
Contribution to value creation(general)	0	3	3	15	14	29	35	50	85
Benefit receiver	66	56	122	53	34	87	40	12	52
Benefit provider	31	26	57	6	22	28	16	10	26
Risk bearer	4	15	19	10	15	25	10	8	18
Risk provider	5	8	13	0	3	3	0	1	1
Total Wealth Creation	106	108	214	84	88	172	101	81	182

Table 54: Overview and Comparison of the Cases – Contribution to Wealth Creation.

F.6 Overview & Comparison – Corporate Governance Influence

Corporate Governance										
	Suva			Swisscom			Swiss Re			
Board Tasks	Documents	Interviews	Total	Documents	Interviews	Total	Documents	Interviews	Total	
Monitoring of Management	1	3	4	11	5	16	8	0	8	8
Nomination of Management & Board	0	2	2	1	0	1	4	4	8	8
Strategic Guidance	2	7	9	10	2	12	7	1	8	8
Cooperation with Stakeholders on Board Level	Documents	Interviews	Total	Documents	Interviews	Total	Documents	Interviews	Total	
Stakeholder Satisfaction	30	83	113	75	69	144	3	22	25	25
Cooperation with Stakeholders (general)	2	37	39	17	24	41	25	132	157	157
Stakeholder Participation	1	12	13	3	7	10	19	32	51	51
Information Recipients of Boards	Documents	Interviews	Total	Documents	Interviews	Total	Documents	Interviews	Total	
Shareholders	0	0	0	5	0	5	7	0	7	7
Other Stakeholders	0	3	3	2	0	2	11	1	12	12

Table 55: Overview and Comparison of the Cases – Corporate Governance.

F.7 Case Study Full Data Boards

	Funktion	AF	AP	AK	AR	AN	Human Capital	General-Business Knowledge	Same Industry	Management	Other Industry	Pharma	Banking	IT	Energy	Telecom	Tech	Services	Transportation	Governmental	Food	Media	Other	FK by Education	BA	Legal	PR	Tech	MasterOfArts	FK by BusinessPractice	Finance	Management	Legal	HR	F&E	Various	Other	CEO	Board Process Knowledge	Board Member	Committee	VP/Vorsitzender	
		AF				AN	9	1	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	2	0	0	0	0	1	1	2	0	1	0	0	0	0	1	4	1	0	1	
		AF				AN	14	5	0	0	5	0	0	0	0	0	0	0	0	0	0	5	0	2	0	0	0	1	1	3	0	1	0	0	0	0	0	0	4	1	0	2	
		AF		AK		AN	21	10	1	1	9	1	4	0	0	1	1	0	0	0	0	2	0	2	0	0	0	2	0	7	0	5	0	0	0	0	0	0	2	2	0	0	
	VP				AR	AN	16	7	0	0	7	0	0	4	0	0	1	2	0	0	0	0	0	1	0	0	0	1	0	5	0	1	0	0	0	0	1	3	3	0	0		
	B		AP	AK		AN	22	9	0	0	9	1	0	0	1	2	1	0	1	3	0	0	0	1	0	1	0	0	0	3	0	2	1	0	0	0	0	9	2	1	3		
				AK	AR	AN	18	7	0	0	7	4	1	0	0	1	0	0	1	0	0	0	0	3	0	0	0	0	0	5	1	2	0	0	0	0	0	3	3	0	0		
	PV		AP			AN	21	5	0	0	5	0	1	0	0	0	1	1	0	0	0	0	1	2	0	0	0	0	3	0	0	0	0	0	1	0	1	0	11	3	0	0	
	PV		AP			AN	12	4	0	0	4	0	0	0	0	2	0	0	1	1	0	0	0	1	0	0	0	0	1	0	1	0	1	0	0	0	0	6	1	0	0		
	S						16	11	0	0	11	0	0	0	0	4	0	0	3	4	0	0	0	0	0	0	0	0	4	0	2	0	0	0	0	0	0	1	0	0	0		
	P	AF	AP	AK	AR	AN	20	7	0	0	7	0	2	0	0	0	1	2	0	1	0	0	0	2	0	0	0	0	4	0	2	0	0	0	0	0	0	0	7	0	0	2	0
	10	4	4	4	3	9	169	66	1	1	65	6	8	4	1	8	6	5	8	10	1	7	1	16	5	1	1	6	3	37	1	17	1	1	1	1	3	2	50	16	1	8	
							16.9	6.6	0.1	0.1	6.5	0.6	0.8	0.4	0.1	0.8	0.6	0.5	0.8	1.0	0.1	0.7	0.1	1.6	0.5	0.1	0.1	0.6	0.3	3.7	0.1	1.7	0.1	0.1	0.1	0.3	0.2	5.0	1.6	0.1	0.8		
							10	10	1	1	10	3	4	1	1	3	6	4	5	5	1	2	1	9	2	1	1	4	3	10	1	9	1	1	1	7	2	2	10	8	1	4	

P = President

VP = Vice President

S = Secretary

B = Bundesvertretung

PV = Personalvertretung

AF = Ausschuss Finanzen

AP = Ausschuss Personal und Organisation

AK = Ausschuss Kompensation

AR = Ausschuss Revision

AN = Ad Hoc Ausschuss Nominierungen

Table 56: Swisscom – Human Capital of Board Members (HC).

	Funktion	AF	AP	AK	AR	AN	Relational Capital	Internal Stakeholder	Management	Employee	External Stakeholder	Investor	Supplier	Union	Regulatory	Economical	Political	Communities	University	Health	Culture	Title	Media
Baldeberger, Fides P.		AF				AN	3	0	0	0	3	0	1	0	0	1	0	0	0	1	0	0	0
Mühlmann, Cathérine		AF				AN	7	0	0	0	7	0	0	0	0	0	0	0	1	0	1	0	5
Kreindl, Torsten G.		AF		AK		AN	3	0	0	0	3	0	1	0	0	0	0	0	0	0	0	1	1
Roy, Richard	VP				AR	AN	1	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0
Rosenberg, Felix	B		AP	AK		AN	8	2	2	0	6	0	0	0	2	0	1	1	1	0	1	0	0
Vock, Olthmar				AK	AR	AN	2	0	0	0	2	1	0	0	1	0	0	0	0	0	0	0	0
Gerber, Hugo	PV		AP			AN	14	2	0	2	12	0	0	3	2	1	1	4	1	0	0	0	0
Gobel, Michel	PV		AP			AN	6	2	0	2	4	0	0	3	0	0	0	1	0	0	0	0	0
Bissegger, Alfred	S						5	4	2	2	1	0	0	0	1	0	0	0	0	0	0	0	0
Scherrer, Anton	P	AF	AP	AK	AR	AN	2	0	0	0	2	0	0	0	0	1	0	0	1	0	0	0	0
Summe	10	4	4	4	3	9	51	10	4	6	41	1	3	6	6	3	2	6	4	1	2	1	6
Relationships BM							5,1	1,0	0,4	0,6	4,1	0,1	0,3	0,6	0,6	0,3	0,2	0,6	0,4	0,1	0,2	0,1	0,6
Number of BM							10	4	2	3	10	1	3	2	4	3	2	3	4	1	2	1	2

P = President
 VP = Vice President
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 AF = Ausschuss Finanzen
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 AK = Ausschuss Kompensation
 AR = Ausschuss Revision
 AN = Ad Hoc Ausschuss Nominierungen

Table 57: Swisscom – Relational Capital of Board Members (RC).

	Funktion	Ausschuss	FK	IK	MV	Human Capital	General-Business Knowledge	Pharma	Banking	Telecom	Tech	Services	Transportation	Food	Media	FK by Education	BA	Economics	Legal	Tech	Other	MasterOfArts	FK by BusinessPractice	Finance	Management	Legal	Marketing	Various	Other	CEO	Board Process Knowledge	Board Member	Committee	VR/Vorsitzender	Other						
	Susanne Blank	AN				6	5	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0					
	Hans-Ulrich Bigler	AG				1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0					
	Beatrice Despland	B	X			14	4	0	0	0	3	0	1	0	0	3	0	2	0	0	1	7	0	0	5	0	2	0	0	0	0	0	0	0	0	0					
	Vincent Brodard	AN				5	2	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	1	0	2					
	Thomas Däum	AG	X			13	7	0	1	0	2	0	4	0	0	0	0	0	0	0	0	0	5	0	3	2	0	0	0	0	1	0	1	0	0	0	1				
	Prof. Dr. André Dubey	B				3	1	0	0	0	0	1	0	0	0	1	0	0	1	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0				
	Judith Bucher	AN				4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	0	0	0					
	Marcel Erne	AG	FK			7	2	0	0	0	0	0	2	0	1	0	1	0	0	0	0	0	3	0	2	0	1	0	0	0	1	0	1	0	0	0	0				
	Prof. Dr. med. Sebastiano Martinoli	B				2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	0	1	0	0	0	1	0	0				
	Besso Franz Cahannes	AN		IK		2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	2	0	0				
	Michael Gehrlen	AG				2	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0				
	Dr. Markus Moser	B	FK		MV	8	3	2	0	0	1	0	0	0	2	0	0	0	0	2	0	0	2	0	2	0	0	0	0	0	1	0	1	0	0	0	0	1			
	Alain Carrupt	AN	X			2	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
	Kurt Geller	AG	X	FK		1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	0	1			
	Franz Steinegger	B	X			34	13	0	2	0	3	2	3	0	3	1	0	0	1	0	0	0	3	0	2	1	0	0	0	0	17	6	0	3	8	0	0	0			
	Karl Eugster	AN		FK		1	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Ueli Hartmann	AG				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Karl Tschuppert	B		IK	MV	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	0	1			
	Mario Fedeli	AN				1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0	0	1			
	Silvia Huber-Meier	AG				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	Hugo Gerber	AN				9	3	0	0	1	0	1	1	0	0	1	1	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	2	0	0	2	0	0		
	Andrea Kneilwolf	AG				2	2	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Dr. Max Haas	AN	X			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
	François Maille	AG				1	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Catherine Laubscher Paratte	AN				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Werner Messner	AG				6	2	0	0	1	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	1	0	2	1	0	0	1		
	Urs Marli	AN				11	4	0	0	0	1	3	0	0	0	0	0	0	0	0	0	0	0	2	1	0	0	0	0	1	0	5	1	0	3	1	0	0	0		
	Jean-Claude Nussbaumer	AG	X	IK		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Colette Nova	AN	X			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Raoul Philipona	AG				3	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	2	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0		
	Heinrich Nydegger	AN	FK			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Hans Rupli	AG		IK		5	2	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	2	0	2	0	0	0	0	0	1	0	0	0	1	0	0	1	0	0	
	Jean-Claude Rennwald	AN				3	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	1	1	0	0	1	1		
	Peter Schilliger	AG				11	4	0	1	0	3	0	0	0	0	3	1	0	0	1	0	3	0	1	0	0	1	0	1	1	1	0	0	1	1	0	0	0	0		
	Robert Schwarzer	AN		IK		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Georg Staub	AG			MV	5	2	0	2	0	0	0	0	0	0	1	0	0	1	0	0	0	2	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Vital Stutz	AN			MV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
	Urs Wernli	AG				2	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Summe	38	8	6	4	165	63	3	6	2	13	15	7	10	2	5	13	2	1	5	3	1	1	37	1	18	10	1	1	4	2	52	11	4	9	28	11	4	9	28	11
	Relationships BM					4.3	1.7	0.1	0.2	0.1	0.3	0.4	0.2	0.3	0.1	0.1	0.3	0.0	0.1	0.0	0.1	0.0	0.0	1.0	0.0	0.5	0.3	0.0	0.0	0.1	0.1	1.4	0.3	0.1	0.2	0.7	0.1	0.4	0.3	0.1	
	Number of BM					29	22	2	4	2	8	10	4	3	1	3	8	2	1	4	2	1	1	16	1	12	5	1	1	3	2	19	5	4	4	15	5	4	4	15	5

Table 58: Suva – Human Capital of Board Members (HC).

	Funktion	Ausschuss	FK	IK	MV	Relational Capital	Customer_AN	Customer_AG	Union	Regulatory	Economical	Ecological	Political	Communities	University	Health	Culture	Media
Hans-Ulrich Bigler	AG					3	0	2	0	0	1	0	0	0	0	0	0	0
Thomas Daum	AG	X				10	0	1	0	5	3	0	1	0	0	0	0	0
Marcel Erne	AG		FK			2	0	1	0	0	1	0	0	0	0	0	0	0
Michael Gehrken	AG					3	0	1	0	0	1	0	1	0	0	0	0	0
Kurt Gfeller	AG	X	FK			5	0	1	0	2	1	0	0	1	0	0	0	0
Ueli Hartmann	AG					2	0	1	0	0	1	0	0	0	0	0	0	0
Silvia Huber-Meier	AG					2	0	1	0	0	1	0	0	0	0	0	0	0
Andrea Knellwolf	AG					2	0	1	0	0	1	0	0	0	0	0	0	0
François Matile	AG					2	0	1	0	0	1	0	0	0	0	0	0	0
Werner Messmer	AG					6	0	1	1	1	2	0	1	0	0	0	0	0
Jean-Claude Nussbaumer	AG	X		IK		2	0	1	0	0	1	0	0	0	0	0	0	0
Raoul Philipona	AG					2	0	1	0	0	0	0	0	1	0	0	0	0
Hans Rupli	AG			IK		3	0	1	0	0	2	0	0	0	0	0	0	0
Peter Schilliger	AG					14	0	1	0	4	3	0	3	0	0	2	1	0
Georg Staub	AG				MV	2	0	1	0	0	1	0	0	0	0	0	0	0
Urs Wernli	AG					2	0	1	0	0	1	0	0	0	0	0	0	0
Summe	16	3	2	2	1	62	0	17	1	12	21	0	6	2	0	2	1	0
Relationships BM						3.9	0.0	1.1	0.1	0.8	1.3	0.0	0.4	0.1	0.0	0.1	0.1	0.0
Number of BM						16	0	16	1	4	15	0	4	2	0	1	1	0

Susanne Blank	AN					7	1	0	1	5	0	0	0	0	0	0	0	0
Vincent Brodard	AN					3	1	0	1	0	0	0	1	0	0	0	0	0
Judith Bucher	AN					9	1	0	1	1	0	0	3	1	1	0	1	0
Besso Franz Cahannes	AN			IK		3	1	0	1	1	0	0	0	0	0	0	0	0
Alain Carrupt	AN	X				2	1	0	1	0	0	0	0	0	0	0	0	0
Karl Eugster	AN		FK			2	1	0	1	0	0	0	0	0	0	0	0	0
Mario Fedeli	AN					2	1	0	1	0	0	0	0	0	0	0	0	0
Hugo Gerber	AN					7	1	0	3	2	0	0	0	1	0	0	0	0
Dr. Max Haas	AN	X				2	1	0	1	0	0	0	0	0	0	0	0	0
Catherine Laubscher Paratte	AN					2	1	0	1	0	0	0	0	0	0	0	0	0
Urs Marti	AN					7	1	0	0	3	1	0	1	0	0	1	0	0
Colette Nova	AN	X				2	1	0	1	0	0	0	0	0	0	0	0	0
Heinrich Nydegger	AN		FK			2	1	0	1	0	0	0	0	0	0	0	0	0
Jean-Claude Rennwald	AN					15	1	0	3	1	0	1	3	2	1	1	1	1
Robert Schwarzer	AN			IK		2	1	0	1	0	0	0	0	0	0	0	0	0
Vital Stutz	AN				MV	2	1	0	1	0	0	0	0	0	0	0	0	0
Summe	16	3	2	2	1	69	16	0	19	13	1	1	8	4	2	2	2	1
Relationships BM						4.3	1.0	0.0	1.2	0.8	0.1	0.1	0.5	0.3	0.1	0.1	0.1	0.1
Number of BM						16	16	0	15	6	1	1	4	3	2	2	2	1

Béatrice Despland	B	X				5	0	0	1	1	0	0	0	0	2	1	0	0
Prof. Dr. André Dubey	B					2	0	0	0	1	0	0	0	0	1	0	0	0
Prof. Dr. med. Sebastiano Martinoli	B					2	0	0	0	1	0	0	0	0	0	1	0	0
Dr. Markus Moser	B		FK		MV	2	0	0	0	1	0	0	0	0	1	0	0	0
Franz Steinegger	B	X				11	0	0	0	1	2	0	0	5	0	2	1	0
Karl Tschuppert	B			IK	MV	4	0	0	0	0	0	0	1	2	0	0	1	0
Summe	6	2	1	1	2	26	0	0	1	5	2	0	1	7	4	4	2	0
Relationships BM						4.3	0.0	0.0	0.2	0.8	0.3	0.0	0.2	1.2	0.7	0.7	0.3	0.0
Number of BM						6	0	0	1	5	1	0	1	2	3	3	2	0

Summe	38	8	5	5	4	157	16	17	21	30	24	1	15	13	6	8	5	1
Relationships BM						4.1	0.4	0.4	0.6	0.8	0.6	0.0	0.4	0.3	0.2	0.2	0.1	0.0
Number of BM						38	16	16	17	15	17	1	9	7	5	6	5	1

Table 59: Suva – Relational Capital of Board Members (RC).

	Function	GC	FR	CC	AC	Human Capital	Firm-Specific Knowledge	Management	Employee	CEO	General-Business Knowledge	Automotive	Pharma	Banking	Energy	Tech	Services	Transportation	Food	Media	Other	FK by Education	Finance	BA	Economics	Legal	Tech	Other	FK by BusinessPractice	Finance	Management	Legal	Marketing	HR	Various	Other	CEO	Board Process Knowledge	Board Member	Committee	V/RVorstandszender	Other				
	Forstmoser, Peter	P	GC			31	0	0	0	0	13	0	0	4	0	1	5	0	3	0	0	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7	5	0	2	0			
	Kielholz, Walter B.	EVP	GC	FRC		37	3	1	1	1	11	0	0	10	0	0	1	0	0	0	0	0	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13	5	1	1	6			
	Baer, Jakob				AC	26	0	0	0	0	10	0	0	5	0	0	4	0	1	0	0	0	2	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	7	6	0	1	0			
	Bechtler, Thomas W.				CC	17	0	0	0	0	5	0	0	5	0	0	0	0	0	0	0	2	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	8	5	0	1	2				
	Breu, Raymond				CC	18	0	0	0	0	6	0	5	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	2	0	0	0				
	Coomber, John R.				FRC	26	2	1	0	1	10	0	0	10	0	0	0	0	0	0	0	3	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	3	0	0	1				
	Dammermann, Dennis D.		GC	FRC	CC	18	0	0	0	0	7	0	0	2	5	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	3	0	1	1				
	Gibson-Brandon, Rajna				AC	15	0	0	0	0	6	0	0	1	0	0	3	0	2	0	0	0	3	1	2	0	0	0	0	0	0	0	0	0	0	0	0	2	1	0	0	1				
	Hentsch, Bénédic G.F.		GC			21	0	0	0	0	5	0	0	5	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	11	5	4	3	0	0	1		
	Scott, Bob				FRC	CC	AC	32	0	0	0	0	8	0	0	0	5	0	0	0	0	2	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	12	5	5	4	0	1	0	
	Smith jr., John F.		GC			AC	20	0	0	0	8	4	1	0	0	0	2	1	0	0	0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	0	1	7	2	0	3	2
	Villiger, Kaspar		GC	FRC		14	0	0	0	0	8	0	0	0	0	0	0	0	5	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	3	0	0	0	0	1	
	Horber, Felix	S				7	0	0	0	0	2	0	0	1	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1	
	Summe	13	6	7	4	5	282	5	2	1	104	4	6	51	5	1	20	1	13	1	1	24	5	5	2	6	5	1	81	24	32	11	1	1	1	6	4	2	68	42	1	10	15			
	Relationships BM	13				21.7	0.4	0.2	0.1	0.2	8.0	0.3	0.5	3.9	0.4	0.1	1.5	0.1	1.0	0.1	0.1	1.8	0.4	0.4	0.2	0.5	0.4	0.1	6.2	1.8	2.5	0.8	0.1	0.1	0.5	0.3	0.2	5.2	3.2	0.1	0.8	1.2				
	Number of BM					13	2	2	1	2	13	1	2	10	1	1	6	1	6	1	1	13	4	3	2	3	4	1	13	9	12	4	1	1	4	2	2	13	12	1	7	8				

Table 60: Swiss Re – Human Capital of Board Members (HC).

	Function	GC	FR C	CC	AC	Relational Capital	Investor	Competitor	Regulatory	Economical	Ecological	Political	Communities	University	Culture	Media
Forstmoser, Peter	P	GC				7	1	0	3	0	0	1	0	2	0	0
Kielholz, Walter B.	EVP	GC	FRC			10	0	0	0	6	0	0	1	2	1	0
Baer, Jakob			FRC		AC	3	1	1	1	0	0	0	0	0	0	0
Bechtler, Thomas W.				CC		4	1	0	0	1	0	0	1	0	1	0
Breu, Raymund				CC	AC	4	1	0	2	1	0	0	0	0	0	0
Coomber, John R.			FRC			2	0	1	0	0	1	0	0	0	0	0
Dammermann, Dennis D.		GC	FRC	CC		2	0	1	0	0	0	0	0	1	0	0
Gibson-Brandon, Rajna			FRC		AC	6	0	0	2	0	0	0	0	4	0	0
Hentsch, Bénédicte G.F.		GC				3	1	0	0	1	0	0	0	1	0	0
Scott, Bob			FRC	CC	AC	7	0	2	0	3	0	0	0	2	0	0
Smith jr., John F.		GC			AC	2	0	0	0	0	0	0	0	2	0	0
Villiger, Kaspar		GC	FRC			9	0	0	2	1	0	5	0	0	0	1
Horber, Felix	S					1	0	0	1	0	0	0	0	0	0	0
Summe		6	7	4	5	60	5	5	11	13	1	6	2	14	2	1
Relationships BM	13					4.6	0.4	0.4	0.8	1.0	0.1	0.5	0.2	1.1	0.2	0.1
Number of BM						13	5	4	6	6	1	2	2	7	2	1

Table 61: Swiss Re – Relational Capital of Board Members (RC)

ANNEX G: EXPERT INTERVIEW DATA

G.1 Interview Questions

ID	Topic	Interview Questions
I	Board of Directors (General)	<p>1 Worin sehen Sie aus Ihrer Perspektive die Aufgaben und die Bedeutung des Boards einer Unternehmung?</p> <p>1.1 Hat der Verwaltungsrat zusätzlich zu seinen gesetzlichen Aufgaben aus Ihrer Sicht eine sogenannte „Linking Funktion“ (Verbindungs- und Repräsentationsfunktion) zu den Stakeholdern einer Unternehmung?</p>
II	Board Composition and Structure	<p>1 Bestimmen gemäss ihrer Erfahrung die jeweiligen Aufgaben des Boards dessen personelle Besetzung und strukturellen Aufbau?</p> <p>1.1 Welche Eigenschaften sollte ein Board Mitglied optimalerweise mitbringen?</p> <p>2 Welches ist aus Ihrer Sicht die optimale Grösse und Zusammensetzung eines Verwaltungsrates im Hinblick auf</p> <p>2.1 Human Capital (Educational Skills, Business & Industry Skills, Board Process Knowledge)</p> <p>2.2 Relational Capital (Verbindung zu bestimmten Stakeholdergruppen)</p> <p>2.3 Weitere Faktoren?</p> <p>3 Sollte ein Board die verschiedenen Stakeholder einer Unternehmung reflektieren?</p> <p>3.1 Welche Charakteristiken eines Boards halten Sie im Hinblick auf eine Stakeholderorientierung für Bedeutsam?</p> <p>3.2 Welche unterschiedlichen Formen der Stakeholderrepräsentation würden Sie unterscheiden?</p>
III	Board Stakeholder Relationships and Interactions	<p>1 Welche Möglichkeiten der strukturellen Einbindung und Interaktion können mit diesen Stakeholdern auf Board Ebene bestehen?</p> <p>1.1 Welche Möglichkeiten werden in der Praxis angewendet?</p> <p>1.2 Gibt es spezielle Instrumente oder Institutionen die das Board of Directors bei diesen Interaktionen unterstützen?</p> <p>1.3 Sehen Sie noch weitere Möglichkeiten mit Stakeholdern auf Board Ebene zu interagieren?</p>
IV	Stakeholder as Benefit Providers	<p>1 Sind Sie der Meinung dass das Board of Directors seine Aufgaben durch eine Interaktion mit Stakeholdern besser erfüllen kann und in welcher Hinsicht? (Monitoring; Zugang zu Ressourcen, Linking, Strategie, Service)</p> <p>1.1 Welche Stakeholder sind aus Ihrer Sicht für das Board of Directors dabei am bedeutsamsten und warum?</p> <p>2 Welche Vorteile können sich aus Interaktionen mit Stakeholdern auf Board Ebene für das Board und die Unternehmung ergeben?</p> <p>2.1 Welche Ressourcenzugänge können Ihrer Meinung nach bezogen auf bestimmte Stakeholdergruppen eröffnet werden?</p> <p>2.2 Welche Risiken können durch Interaktionen mit Stakeholdern minimiert werden?</p> <p>2.3 Können Stakeholder ihrer Meinung nach weitere Vorteile eröffnen, die wir bisher noch nicht angesprochen haben?</p> <p>3 Halten Sie das Board überhaupt für eine geeignete Plattform oder Koordinationsinstrument um mit Stakeholdern zu interagieren und die immanenten Wertschöpfungspotentiale zu realisieren?</p>
V	Wrap-up	<p>1 Gibt es zu diesem Thema noch weitere Punkte über die wir bisher nicht gesprochen haben und die sie gerne noch dem Interview anfügen möchten?</p>

Table 62: Semi Structured and Structured Questions for Expert Interviews.

G.2 Selected Statements and Findings Interview I

Question	Category	Selected Statements from Interview I (Academic Stakeholder-Board Perspective)	
	Label	Nr	Statement
			Findings
I Board of Directors (General)	Board Behaviour	N1	Dann hat man ja .. heute läuft das ja zum Teil eher negativ .. also die Leute wagen es gar nicht mehr Sachen die sie eigentlich für gut halten aber die ihnen nachher den Ruf des Pragmatismus oder des Interessenskonfliktes eintragen könnten, oder im Sinne das sei ihr „Buddy“, also die bringen sie eigentlich gar nicht mehr auf den Tisch.
	Board Tasks	N2	Aber wissen sie in letzter Zeit hat sich ja alles eigentlich auf die Corporate Governance, die Kontrolle, die Compliance und die Überwachung konzentriert. Das braucht es natürlich auch und es kam ja auch lange zu kurz. Aber der anderen Seite ist der Zweck eines Unternehmens zu wirtschaften, etwas herzustellen und die Zwecksetzung umzusetzen und letzteres auch Geld zu verdienen. Oder? Und das vergisst man eben und das ist nicht so einfach. Wissen sie, es gibt Leute die würden sich auch nur mit der Kontrolle begnügen. Es gibt Leute die sind total kontrollorientiert. Und wahrscheinlich ist die Kontrolle etwas notweniges, etwas begleitendes aber doch etwas nachgeordnetes. Aber das erste ist einmal dass sie ein gutes Produkt herstellen müssen, dass sie den Absatz sicher müssen, dass sie ein Unternehmen organisieren also sie müssen als Verwaltungsrat ein funktionierendes Unternehmen auf die Beine stellen. [...]Ja der Verwaltungsrat ist immer auch enabler und er ist nicht nur monitoring
	Board Tasks	N3	Also ich glaube [...] die wichtigste Aufgabe des Boards ist die Bestellung eines guten Managements. Die Bestellung eines guten Managements, eine angemessene Überwachung und [...] das wichtigste ist heute eigentlich die Risikokontrolle. Denn das Management ist eher im Vorwärtsschritt und damit für die Anhäufung von Risiken verantwortlich und das Board hat eigentlich die Aufgabe diese Risiken zu bremsen, zu reduzieren und zu kontrollieren. Das sind für mich eigentlich die drei wichtigsten Aufgaben des Boards. Dass sie natürlich noch organisatorische Aufgaben haben wie ein Rechnungswesen einzurichten und den Richter beachtlichen müssen wenn es schief läuft und so das ist ja klar. Aber das unbekannteste ist eigentlich die Überleitung – Nur was heisst Überleitung eigentlich? Dazu gibt es eigentlich keine oder kaum vernünftige Literatur. Ich habe letztes in einem Vortrag gesagt was Überleitung ist – also das weiss man zwar bei der Eisenbahn - aber in der Corporate Governance weiss man das eigentlich nicht.
Board Tasks (Representation)		N4	Also die Aussempreßanz läuft eigentlich über die Geschäftsleitung und vielleicht noch über den Präsidenten. Die anderen die können eigentlich nur Ratschläge geben, so im Sinne schaut mal hier oder schaut mal dort.
	CG Systems	N5	Obschon diese beide Systeme heute als äquivalent betrachtet werden. In der Europäischen Gesellschaft müssen alle Mitglieder/unter beide Systeme einführen. Und die OECD ist der Meinung in ihrem Corporate Governance Kodex, die seien eigentlich äquivalent und dass das keine grosse Rolle mehr spielt. Aber ich glaube in jedem Unternehmen ab einer gewissen Grösse müssen sie natürlich Management und Kontrolle in irgendeiner Weise unterscheiden.

CG Understanding	N6	<i>Ja ja [...] aber das sind ja Worte [...] ich meine die ganze Corporate Governance Bewegung die kommt halt von der ganzen Shareholder Value Bewegung und dem Denken [...] Aber wissen sie dieses Herr und Knicht Modell des Principal-Agent Modells [...] das stimmt längst nicht mehr. Die Boards – und das sieht man in den Entschädigungsfragen – heute ist das eher ein Verhandlungsmodell zwischen verschiedenen Interessensgruppen.</i>	<p>x traditional principal-agency view on boards (narrow perspective) changed to a negotiation model between different stakeholders</p> <p>x traditional understanding of boards evolved from the shareholder value movement (narrow principal-agency theory)</p>
	N7	<i>Ich glaube nicht [...] dass man das so einfach unterscheiden kann. Ich glaube ein Unternehmen funktioniert überhaupt nur mit einer ganzheitlichen Ausrichtung. [...] Aber meine Auffassung ist nicht, dass die Verwaltungsräte die Beutelsklaren, die Agents der Principals, der Aktionäre, sind sondern in einer Interessenspluralistischen Gesamtsituation gefangen und dieser auch verpflichtet sind.</i>	<p>x corporate governance understanding has to be broadly defined</p> <p>x boards are obliged to pluralistic interests of various stakeholders not only to shareholder concerns</p>
	N8	<i>Ja die Suva ist aber ein völlig A-typisches ansich öffentliches Unternehmen. Da müssen sie ganz klar unterscheiden und zwischen staatlichen, gemischtwirtschaftlichen und privaten Unternehmen. Und dort müssen sie ja auch wieder nach der Grösse unterscheiden und dann natürlich noch ob diese kotiert sind oder nicht ...</i>	<p>x boards are influenced by context and company factors</p>
II Board Composition and Structure	N9	<i>[Also es spielt schon eine Rolle die Auswahl darauf zurückzuführen, dass diese Personen schon von sich aus ein grosses Beziehungsnetzwerk mitbringen] Aber ich glaube Verbände ist schon eine Stufe die nicht mehr so zählt. Es kommt darauf an was sie vorher gemacht haben, wo sie studiert haben, in welchem Kreisen sie sich bewegen, vielleicht in welchen Vereinigungen sie sind, ob sie Golf spielen, ob sie im Business Club sind, ob sie auf internationaler Ebene in Vereinigungen sind, ob sie akademische credentials haben ... Das sind ganz viele mögliche Faktoren.</i>	<p>x board members should bring in a strong network of relationships, which should be taken into consideration by their nomination</p> <p>x the nomination of board members should depend on their human and relational capital</p>
	N10	<i>Sie müssen versuchen ein relativ homogenes, aber nicht unkritisches und verschiedene Meinungen zum Ausdruck bringendes Gremium zusammenstellen. Da spielt der Präsident eine wahrscheinlich grosse Rolle. Ich weiss nicht ob der Präsident wirklich die Rolle spielt, die Böckli ihm in seinen neueren Überlegungen beimesen will oder ob das über andere Kriterien läuft.</i>	<p>x boards should be relatively homogeneous</p> <p>x boards should reflect various opinions and critically reflect strategies and decisions taken</p> <p>x chairman plays a key role in boards</p>
	N11	<i>Heute stellt man Anforderungen an ein Board, die Menschen von Fleisch und Blut im Nebenberuf nicht mehr oder kaum erfüllen können. Ich sage nicht dass sie nichts tun müssen aber [...], die Erwartung an ein Board ist wahrscheinlich unvernünftig hoch. Ich rede hier jetzt nicht von den rechtlichen Erwartungen sondern was man heute mit dieser ganzen Corporate Governance Diskussion unter medialer Orchestrierung an Erwartungen in die Welt gesetzt hat.</i>	<p>x requirements for board membership are too high to be fulfilled by board members in avocation</p> <p>x requirements for board membership differ from legal to public expectation (expectation gap)</p>
Group Dynamics	N12	<i>Was heisst professioneller Verwaltungsrat? Das ist kein Beruf Verwaltungsrat zu sein [...] das ist kein Beruf. Überhaupt nicht.</i>	<p>x it is no profession to be a board member</p>
	N13	<i>Ja also die Frage ist halt immer auch ob die Person passt oder ob man die will. In einem Verwaltungsrat spielt die Gruppendynamik eine ganz grosse Rolle. Wenn die Leute nicht zusammenspielen dann muss man das blitzartig ändern. Da sind die Auswirkungen nämlich schlimmer als bei einer Ehe die nicht funktioniert. Und das sind manchmal gruppendynamische und psychologische Aspekte die mit den Fähigkeiten der Leute eigentlich nichts zu tun haben.</i>	<p>x boards have strong group dynamics</p> <p>x a new board member must fit into a board</p> <p>x if boards can not work effectively together this has to be changed immediately</p>

	Human Capital	N14	<i>Auf der anderen Seite gibt es natürlich verschiedene Möglichkeiten ein Board zusammenzusetzen. Ich meine man kann sich verschiedene Fähigkeiten aussuchen und das braucht man ja heute auch – also für das Audit Committee brauchen sie mal sicher einen ausgewiesenen Finanzfachmann – das ist überhaupt immer gut - und ich glaube mit der Verehrlichkeit ist es auch nicht schlecht wenn man einen Juristen dabei hat - aber einen guten - und ich glaube nachher, also der Rest da hängt das dann auch vom Unternehmen ab [...]</i>	x boards can be composed by different abilities and knowledge (educational knowledge) x audit committee should be composed by at least one financial expert x due to the increasing importance of law issues at least one lawyer or law expert should be included on boards x further composition of boards by expertise and knowledge depends on the individual characteristics (e.g. situation) and needs of the company
	Human Capital	N15	<i>[...] also ob man gewisse [...] ich glaube Repräsentation ist ein bisschen schlecht gesagt aber ob man verwundte Kenntnisse aus der gleichen Branche oder ob man vor- oder nachgelagerte Kenntnisse aus der Leistungskette haben will oder ob man einen hohen technischen Sachverstand braucht, dann nimmt man sich am besten einen ETH Professor. Ich glaube das muss man sich für jedes Unternehmen ganz konkret überlegen.</i>	x further composition of boards by expertise and knowledge depends on the individual characteristics (e.g. situation) and needs of the company
	Individual Characteristics	N16	<i>Ja (also man benötigt eine gute Hand für die Auswahl) und dann gibt es Leute die können vieles und andere können das nicht. Also es gibt einfach Leute die sind wahnsinnig viel besser als andere. [...] Es gibt Wirtschaftsführer die grenzen an Wundertaktoren. Das gibt es und das darf man einfach nicht übersehen. Die möchte man natürlich gerne in seinem Verwaltungsrat sehen. Aber dass man heute einfach einen Freund nimmt also diese Zeit ist vorbei.</i>	x importance on nomination and composition of boards and board members x individual talents, characteristics and ability of board members are highly varying; x the time for nomination of board members solely by friendship is over
	Nomination	N17	<i>Also früher hat man [die Nomination vom Verwaltungsräten] praktisch Handgelenk mal Pi gemacht. Und heute stehen eigentlich 2 Auswahlmethoden im Vordergrund .. vielleicht drei. Man kennt jemanden gut oder man findet durch zufall den richtigen mann oder man veranstaltet über einen head hunter eine systematische Suche. Wahrscheinlich alle drei. Also ich würde sagen mit drittelbeteiligung läuft das wahrscheinlich so</i>	x Search and nomination of board candidates was made intuitively in the past x Today the search and nomination of board members is made more systematically either by friendship or knowledge of an adequate person by instance or by a systematic search by head hunter
	Willingness	N18	<i>[...] Und dann gibt es auch viele Leute die wollen gar nicht mehr. Die sind nicht so verrückt dass sie für das wenige Geld das man hier erhält so viele derartige Risiken auf sich nehmen. Also im Vergleich zur Managementebene [...] sind die Boards alle unterbezahlt. Also das was der Gesetzgeber jetzt macht das ist ja nur zum Schein. Die Boards werden nicht hoch bezahlt [...], wenn sie die Verantwortlichkeiten in diesem Milliardenkaussell anschauen, dann ist das keine vernünftige Risikoprämie.</i>	x willingness of potential candidates to join a board is low due to high risks and responsibilities versus low remuneration (risk premium is too low)
III Board Stakeholder Relations and Interactions	Customers	N19	<i>Die Kunden repräsentieren [...] wissen sie die Konsumententende [...] also ich glaube nicht dass das was bringt. Ich glaube nicht dass das etwas bringt. Eine Produktorientierung oder eine Orientierung in Richtung Kunden die könnten sie ja damit vielleicht verdeutlichen [...] aber wissen Sie wer sind denn die Kunden in einem grossen Unternehmen? Also wen nehmen sie da jetzt bei einer Grossbank zum Beispiel oder bei einer Nestlé? Die Hausfrau? Oder den Funktionär einer Konsumentenschutzorganisation? [...]</i>	x Including consumer representatives may internally and externally increase the consumer-orientation of a company (e.g. For example if a new strategic orientation towards customers is intended) x Problematic identification of an adequate consumer representative (representatives by consumerism associations; major customers (by sales or strategic importance))

Customers	N20	Also wissen Sie die Kunden ... das ist ja ganz verschieden von Unternehmen zu Unternehmen und von Kunde zu Kunde. Also wenn sie eine Maschinenfabrik für Spezialmaschinen sind dann ist das wahrscheinlich etwas ganz anderes als bei einer Grossbank oder einer Nestlé. Da bringt ihnen wahrscheinlich im zweiten Fall der Kunde oder der Kundenvertreter nichts. Im ersten Fall hingegen kann ihnen das einiges bringen. Ich sage ja auch nicht, dass man nicht jemanden haben sollte, der die Kundenorientierung vertritt. Der sich mit Konsumentenfragen auskennt und diese einbringt oder auch auf die Bedeutung dieser Ausrichtung hinweist.	x Consumer representation is dependent on the ability of the focal company to segment its customers x boards should have a board member that has experience and knowledge on customer demands x board member representing customers can benefit and enhance a customer orientation of the focal firm
Direct Representation	N21	Aber ich meine das funktionell, wenn sie hingehen und irgendetwas in Sonderabstimmungen Vertretungen für den Verwaltungsrat organisieren, dann ist die Wahrscheinlichkeit zu hoch dass ein Gremium zusammenkommt das nicht funktioniert.	x board members must fit to a board (e.g. group dynamics, psychological effects) x enforced direct representation of stakeholders may bear the risk that the representative does not fit into a board
Employees	N22	Dass die Arbeitnehmer gerne in den Verwaltungsrat gehen würden, also diese Erfahrung hat man ja aus Deutschland. Aber ich meine das ging mit dem dualistischen System, also mit Verwaltungsrat und Vorstand, aber das geht im monistischen System nur mit wesentlich grösseren Schwierigkeiten.	x Direct representation of stakeholders in the Swiss Governance System due to the high legal and not transferable tasks for boards is difficult x Employees are willing to be represented on the board of directors
Employees	N23	Da kommen sie ja dann wahrscheinlich als erstes mal zu den Arbeitnehmern. Da kommen sie dann bald einmal zur Frage der Mitbestimmung, also Mitbestimmung ja oder nein. [...] Aber Stakeholder Repräsentation .. ich meine sie schreiben ja nicht für oder gegen Mitbestimmung. Das ist politisch total belastet das Thema.	x the question of employee representation is politically heavily loaded
General Remarks	N24	Aber ich sage nicht dass die Stakeholder nicht in den Verwaltungsrat gehören. Aber ich sage man muss erst bestimmen wer die Stakeholder sind und man muss sie Fragen ob sie Interesse haben und wenn sie Interesse haben wer soll dann diese Interessen für die für sie definierte Stakeholderkategorie äussern.	x Importance of Stakeholder Identification x Importance of finding an appropriate stakeholder representative x Willingness of the stakeholder representative to join the board x Ability (Human Capital) of the stakeholder representative to join the board
Lenders	N25	[...]Also die Banken, die waren viele Jahre, ja immer repräsentiert im Verwaltungsrat. Die sind dann eher wieder raus gegangen. Also die Hausbank war früher immer im Verwaltungsrat. Aber die Gläubiger die können sich in Verhandlungen, also die Banken, die können sich derart gut schützen. Und die wollen nicht mehr im Verwaltungsrat sitzen [...] weil die „Chinesische Wälle“ die haben Löcher. [...] Die müssten sich ja auch quasi immer zerteilen, einersets sind sie Chef der Banken andererseits sind sie Verwaltungsrat. Das sehen sie bei der Swissair, der Herr Mühlemann das war quasi ein Endspiel der Gläubiger Repräsentation in Verwaltungsräten.	x Lenders have chosen to leave the board of directors as they have many other possibilities to influence the company x Conflicts of Interest occurred by representatives of the banks/lenders in their role as board member of the focal company as well as in their role as manager of the bank x Sensitive information made the representatives of the lenders incapable of action
Lenders	N26	Gläubiger die wissen sich genug zu wehren, die Finanzsphäre die hat eher zu viel Einfluss als zu wenig. Die Revision, die Beteiligten an Kapitalerhöhungen, am Handel, an den Krediten. ...	x Lenders have many other possibilities to influence the company (e.g. by audit, recapitalization, loan approval and extension)
Majority / Institutional Shareholder	N27	Es gibt ja viele Unternehmen wo die Grossaktionäre im Verwaltungsrat sitzen, also Familien und so [...] also bei Schindler bei Holcim, bei Schmidheini, da gibt es ja viele Unternehmen wo das der Fall ist. Aber die können dann nicht mehr handeln. Die sind dann praktisch auf ein langfristiges Stillhalten verpflichtet.	x Majority shareholder representatives become incapable of action by taking board mandates in the focal company

	Regulator, Governmen t & Politics	N28	Dann also [...] ja die Gemeinden, also dass sie den Stadtpräsidenten in die Unternehmung nehmen wollen, das müssen sie vergessen. [...] Bundesräte gehen nach ihrem Rücktritt in die Verwaltungsräte, zum Beispiel der Herr Villiger zur Swiss Re, der Herr Gotti zum internationalen Beirat der Credit Suisse, oder so. Das sind nicht alle aber einige und vorher da können sie das nicht.	x Politicians in CH often lack the ability to join a board due to their human capital x Representatives of Politics (Bundesrat, Nationalrat, Ständerat) often join company boards after their retirement
	Shareholder Categories	N29	Dann gibt es ja die verschiedenen Aktionärsklassen [...] Inhaber oder Namenspapiere und das sehen sie ja jetzt bei Ielmoli, da wird ein Streit entstehen weil die Inhaberaktionäre einen Verwaltungsrat stellen wollen. Also die Repräsentation der verschiedenen Aktienklassen. Das sieht das OR ja sogar vor. Und das berücksichtigt man schon an sich. Das muss man ja von Gesetzestwegen.	x By legal regulation the different kinds and categories of shareholders have to be represented on the board of directors
	Society & Media	N30	Die Öffentlichkeit? Ja also die Medien, als Vertreter der Öffentlichkeit, die hatten sowieso nicht dacht. Das ist ja .. also das geht nicht.	x Media and Representatives of the general society bear the risk to be not aware of the secrecy of sensitive information
IV	Stakeholder as Benefit Providers	N31	Also .. ich glaube aber dass das Beziehungsfeld des Verwaltungsrates für ein Unternehmen eine grosse Rolle spielt und zwar alleine schon weil es gibt Leute die können ganz leicht mit vielen anderen Leuten in Schlüsselstellen kommunizieren. Die greifen dann einfach zum Telefon. Und die wichtigen Leute sind eigentlich immer erreichbar – also praktisch in no time – [...] Das ist schon sehr effizient und das spielt sicher eine Rolle.	x stakeholder relationships open up communication channels and facilitate the access to important resources
	Enabler	N32	Ein Verwaltungsrat kann auch Türen öffnen, er kann Brücken bauen und Beziehungen erleichtern. Er kann Sachen anlossen, Ideen kreieren, die er dann zur Prüfung gibt und er kann vielleicht auch mal einen kleinen Initialschritt machen. Also das [Stakeholderbeziehungen durch indirekte Repräsentation] nützt dem Unternehmen dann schon, denn [Verwaltungsräte mit einer höheren Beziehungsdichte können eher diese enabler funktion wahrnehmen].	x board as an enabler, that opens up doors and communication channels, facilitates relationship building, brings in innovative ideas and various opinions x board members with a strong stakeholder network have the ability to function as an enabler

Table 63: Selected Statements and Findings from Interview I

G.3 Selected Statements and Findings Interview II

Question		Category Label	Selected Statements from Interview II (Academic Stakeholder-Board Perspective)		Findings
	Nr	Statement			
I Board of Directors (General)		Case Study Sample	G1	<i>Ja, die Suva ist aber ein völlig A-typisches ansich öffentliches Unternehmen [...] die Suva als Gegenbeispiel ist ja auf einem anderem Planeten angesiedelt.</i>	x Suva is a special form of company in the SMI sample
		Information	G2	<i>Das Grundproblem des Verrwaltungsrates ist also das ist wie bei jeder Firma, je größer, je komplexer sie in ihren Tätigkeiten ist, desto ausgeprägter ist es. Je leihenhafter das Verhältnis zwischen den Boardmembren und der Firma ist, desto ausgeprägter ist es. Dass wir (als Verraltungsrat) wirklich verstehen was wir eigentlich tun, was wir eigentlich wollen, für wen wir eigentlich da sind, von wem wir eigentlich abhängig sind damit wir für andere da sein können und so weiter. Ich bin der Meinung dass wir grundsätzlich zu wenig, viel zu wenig vertieft und regelmäßig analysieren. [...] Solche Sachen müssen viel viel intensiver diskutiert werden, das passiert viel zu wenig. Die Mitglieder von diesem Gremium, die im wesentlichen Laien sind in Bezug auf was diese Unternehmung aktuell tut. Sie müssen ja mit dem Anfangen was sie sind, müssen wissen woher sie kommen bevor sie sagen können wohin sie gehen. Erst dann können sie den Weg bestimmen wenn sie wissen woher sie kommen. [...] Das wird viel zu wenig gemacht. Je komplexer die Leistungen, die geographischen Ausrichtungen und so weiter das Unternehmen ist, desto schwieriger ist es. Wenn man das intensio machen würde, dann würde die Bedeutung verschiedener Stakeholder plötzlich besser erkannt. Und automatisch besser eingesetzt. Wenn sie es erkennen können, können sie etwas intelligentes damit machen. Hingegen wenn sie gar nicht bemerkt haben dass da etwas ist, also jemand mit seinen Bedürfnissen, Ansprüchen usw meinte ich mit etwas eine Rolle spielt, können sie das gar nicht gut machen. Sie machen es per Zufall. Das passiert häufig, gar nicht schlecht aber es ist per Zufall und dann ist es sicher nicht optimal.</i>	x in order to position itself and formulate effective strategy the board should look at the company from a market based (e.g. competitive and business environment), a resource based (e.g. core competences, products, resources and abilities) and a stakeholder perspective (e.g. constituencies inside and outside the company that provide / receive benefits and provide /receive risks from corporate action) x board members are normally not sufficiently informed about the focal firm x boards should analyze the focal firm in all dimensions in order to be aware of the importance of various stakeholders and only by this gain the ability to build up beneficial relationships to these stakeholder groups.
		Information	G3	<i>Nein natürlich bekommt er nicht alle Informationen, es kommt auch hier natürlich wieder auf die Größe der Unternehmung an usw. Jedes Ding am richtigen Ort. Ob in einem bestimmten Bereich einer Unternehmung eine Mitarbeiter- oder Kundenzufriedenheitsabklärung celebriert wird, dann ist das vielleicht nicht etwas das vom VR initiiert werden muss und ich finde auch nicht dass sie das Ereignis und sein Resultat unbedingt auf Stufe vom VR wissen müssen. [...] Da sollte an sich an den VR natürlich irgendein Summary gehen, oder auch was man wichtiges aus den Reklamationsschreiben sieht aber natürlich nicht die einzelnen Reklamationsschreiben, das is ja gar nicht möglich. Aber ein intelligent gemachtes Summary, da ist der VR aber auch gut beraten wenn er sich mal überlegt welche Faktoren und welche Warnlichter er überhaupt braucht und welche da rein gehören, also Reaktionsgeschwindigkeit z.B. Verarbeitungsfehlerhäufigkeit und mehrere ähnliche Sachen. Und da braucht es den VR oder den VR Präsidenten oder auch das Management wo sagt das und das ist wichtig.</i>	x board members do not and can not receive all information about a company and its activities, which increases the importance of an information summary prepared for board meetings. x boards should themselves and together with management think about the factors and indicators needed to gain a comprehensive overview on important information
		SMI Sample	G4	<i>Die SMI repräsentieren die schweizer Unternehmenslandschaft überhaupt nicht. Es sind an sich alles belanglose Spezialfälle.</i>	x SMI do not represent the gross of Swiss companies
		SMI Sample	G5	<i>Das ist eine Sonderform. [...] Die Swisscom ist ein Sonderfall innerhalb der SMI wo der Staat mehr als 50% Aktien hat, mit einem speziellen Gesetz.</i>	x Swisscom is a special form of company in the SMI sample
		Board Capital	G6	<i>Ich kenne jetzt gerade einen konkreten Fall, den kann ich sagen, das ist die Jelmoli wo man in Rahmen der Abänderung von der strategischen Tätigkeit der Jelmoli Leute in den Verraltungsrat gewählt hat. Die was zusätzlich mitbringen sollten im Bezug auf die bisherigen Mitglieder. Die Jelmoli haben ja jetzt eine ausserordentliche GV wo der Verraltungsrat mit Leuten in Bezug auf die zukünftige Grundausrichtung der Tätigkeit Erfahrungen und Kenntnisse einbringen sollte, wo der heutige Verraltungsrat und dessen Mitglieder nicht oder nur beschränkt hat.</i>	x board members can be nominated (ad-hoc/by instance) in order to include knowledge and expertise regarding a new strategic orientation of the company

Board Capital	G7	Was sind professionelle Verwaltungsräte? Das ist ein Begriff der irgendwo entstanden ist in der jüngeren Vergangenheit, für Personen, die nur VR von Beruf sind. Was können denn die? Sie kennen das Handwerkszeug aber sie kennen das Rack und den Barren nicht. Sie brauchen beides, sie brauchen einfach beides. Natürlich ist es wichtig jemanden zu haben, wo irgendeine schon Erfahrung hat, wie geht man mit dem Management und den Informationsprovidern um, wie kommt man an Informationen usw. Es ist nützlich, aber es ist nicht das allein nützlich. Sie müssen auch Leute haben die etwas von der Sache verstehen. Die Sache ist immer irgendeine unternehmensbezogen. Also ein professioneller VR in einer Bank der nie etwas gehört hat von Risikomanagement in Finanzfragen der stellt sicher nicht die richtige Frage. Es braucht beides.	x professional directors have knowledge on board processes, know how to interact with management and important information providers of the board, know how to gain information
Board Structure	G8	Ich bin sehr skeptisch gegenüber der allgemeinen Tendenz zahlreiche Subcommittees zu bilden und die mit zugespitzten Aufgaben, Vorbereitungsaufgaben zu belasten oder zu beauftragen. Erstens führt das dazu, dass die Zahl der Verwaltungsräte zunimmt. Je mehr Komitees man hat, desto mehr Leute sind im Verwaltungsrat. Sonst sitzt der gleiche in allen Komitees und dann können sie es gleich wieder abschaffen. Und zu große Verwaltungsräte sind nicht tauglich, das habe ich zur Genüge erlebt, das ist ganz sicher. Das habe ich genug gesehen. Zweitens, sie können in einem schweizer Verwaltungsrat wesentliche Entscheide nur als Gesamtgremium treffen, sie können nicht einen Teil wesentlicher Entscheidungen delegieren. Sie können die Vorbereitung und die Umsetzung delegieren, aber die Entscheidungsfindung können sie nicht delegieren. Wenn sie jetzt Komitees machen und diese sehr vertieft Sachen vorbereiten, dann erreichen sie dass im Endeffekt das Gros des VR abhängig ist, sehr stark abhängig ist von dem was das Gremium gemacht hat. Sie schaffen das Risiko, dass Entscheidungen durch eine Mehrzahl von Leuten zustande kommen die sich nicht auskennen und sich darauf verlassen was Kollege Essig mit Kollege Öl ausgebrütet hat. Das geht im Endeffekt nicht. Das ist gefährlich. Also würde ich meinen Hände weg, die heutige Strukturen mit den sogenannten obligatorischen Komitees sind in meinen Augen bereits gefährlich. Ich bin grundsätzlich der Meinung eigentlich ist das Unfug. Es führt dazu, dass gewisse Leute im VR sagen, für das was im Auditkomitee passiert bin ich nicht verantwortlich, wir haben ja das Auditkomitee. I couldn't care less. Sorry. Aber er bleibt verantwortlich. Also wenn konkret das Auditkomitee von der UBS nicht gemerkt hat, dass das Risikoberauchungssystem von der Geschäftsleitung und vom Präsidium Löcher hat, was möglicherweise der Fall ist. Dann nützt das den anderen VRmitgliedern, in Bezug auf "ich bin nicht mitverantwortlich" gar nichts. Sie sind mitverantwortlich. Darum aufgepasst, ich glaube das ist keine gute Idee kein Stakeholder Committee mit Steering Funktion zu bilden!	x Committees bear the risk that decisions are not taken by full plenum. Board members heavily rely and become dependent on the decision preparation of committees without critical reflection by themselves. x although all board members are responsible for the decisions taken by the board members in full plenum committees bear the risk to shift off responsibility. x committee structures increase board size x too big boards are able to work effectively x stakeholder committee with steering function shares the risks of general committee structures and may therefore be counterproductive.
Board Structure	G9	Ja das können sie machen. Also das können sie eher machen denn diese Personen sind ja dann nicht in die Verantwortung für die gemeinsame Entscheidung eingebunden. Sie können diesen Beirat ja dann auch ad hoc oder auch langfristig mit irgendeinem zusammensetzen mit dem sie sich mehr oder weniger definiert haben und diese Gedanken des Beirates können dann auch einfließen, das kann man zur Kenntnis nehmen oder nicht, aber es entlastet nicht und es gibt nicht den Eindruck, dass es entlastet. Das finde ich eine gute Idee. Aber die VRkomiteeidee finde ich grundsätzlich gefährlich	x for the representation of stakeholders and the inclusion of stakeholder concerns by board structure an advisory board without steering function seems to be more effective and does not unburden the board members in their responsibility towards stakeholders like a steering committee does.

III Board Stakeholder Relationships and Interactions	Evaluation	G10	<p>Dann hätte man ein Aha Erlebnis gehabt und gesagt zum Glück haben wir diese Person da hat man zuerst gar nicht daran gedacht, dass man so etwas braucht. In dem Sinne ist es wichtig, dass man die Gesamtheit anschaut und evaluiert viele potentiellen Werte da vorhanden sind über die man froh ist wenn man plötzlich auf sie direkt zugreifen kann und diese Person weiß dann etwas über die Unternehmung. Wenn man nämlich in einem solchen Fall von außen jemand hinzuziehen muß, dann weiß der über die Unternehmung unter Umständen überhaupt nichts. Er ist zwar ein hervorragender Fachidiot aber kann es nicht anwenden, weil er zuerst verstehen muß unter welchen Umständen welches Problem auftritt. Und da bin ich der Ansicht, dass man die Leute möglichst breit anschauen muß um zu verstehen und zu erfassen um zu Schluß zu kommen, dass er im Gesamtverbund wirklich etwas nützt.</p>	<p>x boards should be evaluated by their potential value, full board internal transparency on the different characteristics of each board member and the compound of board members. x if knowledge included in the board is useful in a specific situation it has the advantage that the board member, who brings this information in has also knowledge about the focal firm and how to use and implement the knowledge into firm context. x external experts, providing expert knowledge to the board, bear the risk that they do not know how the knowledge can be used and implemented in firm context and why a problem occurs that makes this kind of knowledge important. x nomination of board members should be based on a deepened analysis of various factors and characteristics of the board member (e.g. current employment and business practice, business knowledge and professional, educational and private background, activities, relationships and memberships relevant for the focal firm) x the nomination of board members should be analyzed regarding the added benefit of the board candidate to the compound of the other board members. x characteristics of the board candidate neglected by the search and nomination process can become important in specific situations.</p>
	Nomination	G11	<p>Natürlich, wenn man jemand in einen VR wählen will, wenn es um die Frage des Nominationkommittees geht - wen schlagen wir vor? Dann sollte man genauer schauen und sich ein möglichst differenziertes Bild von verschiedenen möglichen Personen schaffen. Das ist nicht nur deren aktuelle Tätigkeit, sondern das ist deren breiterer Hintergrund in beruflichen, tätigkeitsmäßigen, ausbildungsmäßigen und in einem gewissen Ausmaß auch privatem Belang, also wenn er im Golfclub ist, ist es wohl nicht so wesentlich. Naja meist vielleicht doch ... (lacht). Aber um zu einer Meinung zu kommen was er im Gesamtverbund von den bestehenden Personen alles beitragen kann. Das erscheint mir sehr wichtig. Und das sollte vielleicht differenzierter betrachtet werden. Und selbstverständlich können die einzelnen Facetten von dieser Person die auf den ersten Blick gar nicht im Vordergrund stehen plötzlich ganz wichtig werden.</p>	
III Board Stakeholder Relationships and Interactions	Customer	G12	<p>Also bei den beiden Großbanken die sie im SMI haben, haben sie Leute im Verwaltungsrat die in Unternehmen tätig sind, die zwangsmäßig Bankkunden sind. Sie sind nicht gewählt von den Kunden aber sie kennen die Banken wo sie im Verwaltungsrat sitzen als Leute die in der Wirtschaft tätig sind, die in verschiedenen ausprägungen Kunden der Banken sind. Bei den Versicherungen haben sie wieder etwas ähnliches. Jederman hat dummerweise eine Versicherung und ist damit automatisch ein Benützer von Produkten sehr unterschiedlich und sehr individuell strukturiert, aber das ist vorhanden. Das andere ist in der Chemie und Pharmazutik weiß ich es nicht genau aber teilweise ist es vorhanden. Ich vermute sogar es ist bewußt so gemacht worden. Die UBS, da weiß ich es, hat bestimmt Leute im Verwaltungsrat weil die in ihrer generellen oder früheren unternehmerischen Tätigkeit an andere Orten mit der Leistung der Bank konfrontiert sind. Das wurde bewußt gemacht. Über die CS weiß ich es nicht. Aber ich könnte mir vorstellen dass es da auch so ist. Da ist die Repräsentation in einem gewissen Ausmaß vorhanden und damit ist die Relevanz der Überlegungen die sie anstellen bei diesen Sorten Stakeholder eher auffindbar.</p>	<p>x customers are represented by the human capital of board members (board members that have expertise and knowledge about the products and the company as customers due to their former employment and business practice) x the companies consciously nominate board members with knowledge and experience as customers or with high linkages to important customers into their board of directors</p>

Direct Stakeholder Representation	G13	<i>In der Schweiz ist das [gemeinsame Verantwortung für Verwaltungsentscheide auch bei singularer Gegenposition] Grundphilosophie. [...] Weil der Verwaltungsrat entscheidet als Ganzes. Ob ein einzelnes Mitglied gegen einen Entscheid ist schützt ihn nicht vor seiner Verantwortung. Wenn das Mitglied im Verwaltungsrat überstimmt wird, was passieren kann, und das Mitglied findet, dass das eine ganz wesentliche Frage und Tatsache ist, dass meine Meinung nicht zum Erfolg geführt hat und dass ich überstimmt wurde ist etwas grundlegend wichtiges dann bleibt ihm nichts anderes übrig als zurückzutreten. Punkt. Er bleibt für den Entscheid mitverantwortlich auch wenn er dagegen gestimmt hat. Das ist glaube ich ganz wichtig [...] und deshalb bin ich der Meinung Überdefinitionen, also Ansprüche jeder Art von Stake- oder Shareholder zu berücksichtigen oder zu repräsentieren das ist gefährlich, das kann das realisieren der Grundidee unter Umständen sehr erschweren und dann machen wir etwas negatives. Aber das schließt nicht aus, dass wenn wir jetzt von der Stufe des Verwaltungsrats reden, dass wir den Grundsatz festlegen dass dieser in seinen Entscheidungen schaut was die verschiedenen Stakeholderinteressen sind und diese berücksichtigt, denn nur so kommen wir langfristig auf ein gutes Resultat. Das ist kein Widerspruch, das ist einfach eine andere Ebene von der man es angeht.</i>	x board should take the various stakeholder concerns into consideration x all board members are responsible for the decisions taken by the board as a whole x direct stakeholder representation bears the risk to include too many diverging interests on the board, which decreases the responsibility of board members for common decisions
Direct Stakeholder Representation	G14	<i>Der Gewerkschaftsboss von der Lokomotivführergewerkschaft, um ein aktuelles Beispiel herzunehmen, hat keine Ahnung über die Gesamtheitdenken und das Bedürfnis aller Mitarbeiter. Das hat er nicht, das stimmt einfach nicht. Er vertritt ein bestimmtes Segment. Aber über die Bedürfnisse der Bünomitarbeiter hat der doch keine Ahnung. Um wieder bei diesem Beispiel zu bleiben ist diese Mitarbeiterkategorie vielleicht extrem wichtig für mich und ich sollte jemand haben der davon etwas versteht. Dann ist das ein guter Grund einen Verwaltungsrat mit diesen Beziehungen zu wählen aber man darf damit nicht meinen, man habe damit wirklich alle stakeholder abgedeckt, also einen breiteren Stakeholderbereich, nur der wirklich repräsentierte Teil ist davon erfasst. Da wir ich vorsichtig, das ist aber kein Grund dafür so jemanden nicht zu nehmen, sofern sich die Person generell dafür eignet in den Verwaltungsrat gewählt zu werden. Aber man lasse sich nicht in die Iyre führen.</i>	x Direct Stakeholder Representatives only represent a specific segment of stakeholders x Risk to neglect other stakeholder concerns than the directly represented
Direct Stakeholder Representation (Employees)	G15	<i>Das Zweite ist, sie finden bei den SMI Unternehmen und wahrscheinlich auch breiter bei den weiteren Schweizer Unternehmen, ob kotiert oder nicht, also in den Schweizer Unternehmen eine Vertretung der Stakeholder nicht - nämlich die Arbeitnehmer.</i>	x Employee representation on the board of directors is not existent in CH (only if regulatory influences force the company)
Direct Stakeholder Representation (Employees)	G16	<i>Die Frau Meier-Schütz im Verwaltungsrat der Post vertritt vieles nur nicht wie sie selbst meint die Postingsstellen. Ich sage das jetzt sehr deutlich da sie letzters wieder erwähnt wurde dass sie im Verwaltungsrat der Post sitzt als Vertretung der Mitarbeiter. Das ist Quatsch.</i>	x If employees are still directly represented in CH companies this representation is not a real representation of employees
Direct Stakeholder Representation (Employees)	G17	<i>Wenn sie weitergehen und den SPI nehmen und damit wirklich die Schweizer Gesellschaften nehmen und wirklich den größeren Teil der angebotenen Arbeitsplätze und der arbeiteten Vielfalt des Outpus der Unternehmen anschauen, denn nochmal der SMIs sind sehr spezielle Fälle. Sie finden wirklich keinen Arbeitnehmervertreter oder auch wenn diese sogar vorhanden sein sollte keine wirkliche Arbeitnehmervertretung. Da wir nochmal zum Glück nicht das Partitischensystem haben wie die Deutschen es dummerweise eingeführt haben.</i>	x If employees are still directly represented in CH companies this representation is not a real representation of employees x The instrument of employee representation suffers from bad experiences of the Employee Participation Regulations in Germany
Direct Stakeholder Representation (Employees)	G18	<i>Die Mitarbeiter sind ganz wesentliche Stakeholders. Mit einer wesentlichen anderen Position in Bezug auf ihre Interessen und Beitragskraft für den Erfolg einer Unternehmung als andere Stakeholder und die fehlen auf Board-Stufe komplett in der Schweiz. Das ist glaube ich sehr wichtig, dass man bei dem Thema daran denkt. Also sie haben nicht eine 360° Grad Betrachtung, wenn sie die Boards anschauen. Einfach als Feststellung. Oder Hinweis ich weiß nicht.</i>	x employees are strategically relevant stakeholders with a different position due to their interests and wealth creation potential for the company. x real employee representation is missing in Swiss boards

Indirect Stakeholder Representat ion	G19	<i>Ich schließe nicht aus, dass man so etwas [Indirekte Repräsentation, auf Grund von bestimmten Charaktereigenschaften oder Beziehungen des jeweiligen Boardmitglieds die Interessen der verbundenen Stakeholder miteinflussen zu lassen] auf Verwaltungsratssebene nicht auch geschickter und auch breiter nutzbar machen kann als es eigentlich gemacht wird, sofern die Person sich dazu eignet. Das ist schon möglich. Ich sehe das nicht als unvernünftig an.</i>	<ul style="list-style-type: none"> x the indirect representation of stakeholders by the individual stakeholder relationships of a board member should be evaluated more systematically and more efficiently used on the board of directors level. x indirect stakeholder representation and the related stakeholder concerns can be included by the board members individual stakeholder relationships network
Shareholder Categories	G20	<i>Es gilt in der Schweiz nach wie vor die Grundanforderungen an jedes Verwaltungsratsmitglied und an den Verwaltungsrat als ganzes, dass er die Interessen aller Aktionäre ausgegogen zu berücksichtigen hat. Mit anderen Worten die zweite Anforderung, wenn mehrere Kategorien da sind, dann hat jede Kategorie Anspruch auf mindestens einen Vertreter im Verwaltungsrat. Das ist meines Erachtens jedoch nur eine subsidiär wichtige Bestimmung. Sie können ja die primäre Bestimmung, die grundsätzliche Bestimmung nicht einhalten wenn nur eine einseitige Interessenvertretung da ist. Das geht nicht. Sie ist ja dann unter Umständen permanent in der Minderheit wenn es einseitig ist. Das ist ein sehr facettenreiches Kräfteparallelogramm in das man da hineinkommt. Bei der Jelmoli gibt es halt jetzt so eine Forderung, da es im Prinzip aus corporate-governance Sicht nicht in Ordnung ist, dass eine Firma mehrere Aktienkategorien hat und deren Anforderungen nicht gerecht wird. Die Jelmoli ist da aber wahrlich und bei weitem nicht die einzige. Solange eine Aktionärsgruppe nicht ausruft und Opposition macht und auf das Recht pocht passiert unter Umständen nichts. Was aber Indiziert, dass sie eigentlich alle zufrieden sind.</i>	<ul style="list-style-type: none"> x Either all or no shareholder category should be represented otherwise there will be always a minority and a unbalanced influence of interests x If a shareholder does not insist on his right, the legal regulation of representing all kinds of shareholders is in general not fulfilled in CH companies. This implies that shareholders are generally pleased with the representation and inclusion of their concerns. x Shareholders have other possibilities to influence the board of directors (e.g. by voting rights at the general assembly)
Stakeholder	G21	<i>Was ich glaube was der Nutzen ist von den Arbeiten, die sie da machen ist. Wenn man verstärkt das Bewußtsein weckt, am Leben hält, vertieft dann wird das verankert und solche dinge werden und sind wesentlich. Das kann dazu führen, dass man sich plötzlich bewußt macht und dann auch darüber redet und es auch formalisiert. Ich unterstelle, das ist nicht bewiesen, ich habe Indizien, ich unterstelle es passiert zwar effektiv, es passiert zwar zu wenig systematisch, da bin ich einverstanden, es passiert vielleicht zu einseitig und gewisse Stakeholder werden zu wenig beachtet aus irgendwelchen Gründen. Aber es passiert schon. Aber nochmal, wenn man es bewußter macht, wenn man realisiert dass das effektiv im Gesamten gesehen auf eine langfristige Sicht eine Komponente ist, die für den Wertschöpfungserfolg wesentlich ist, dann kommt es besser raus.</i>	<ul style="list-style-type: none"> x stakeholder management and stakeholder knowledge is included into the boards but it is not systematically included and formalized. x board members should be conscious about their stakeholder knowledge and relationships and evaluate them as well as formalize them in order to gain benefits and reduce risks

Stakeholder Interactions	G22	<p>[Entsteht eine Frage von strategischer Bedeutung, die in irgendeinerweise Stakeholder tangiert, dann kann ein einzelnes Boardmember aktiv werden und in seinem Beziehungsnetzwerk nachfragen und weitere Informationen einholen, oder das Board holt sich als Gruppe diese Informationen ein oder es geht über das Management oder über verschiedene unternehmensinterne Institutionen.] Es sind alle Wege denkbar. Ich mag mich erinnern früher bei der XY hat man regelmäßig für mindestens den Ausschluss des VR [...] quer durch die Schweiz, Gelegenheiten geschaffen, wo sie mit verschiedenen Stakeholdern, also insbesondere Kunden und Shareholdern ein Zusammenreffen hatten, also mit Vertretern von der öffentlichen Hand, von Firmen usw und denen die Möglichkeit gegeben zu hören was die zu sagen haben. Das hat das Management organisiert, in Absprache mit den VRmitgliedern. Wer auf die Idee gekommen ist, ist ja egal. Aber das hat man gemacht. Man hat auch regelmäßig versucht dass die VRmitglieder Kontakt zu gewissen Mitarbeitern hatten, indem z.B. VRmitglieder, von denen man gefunden hat sie haben eine interessante externe Tätigkeit eingeladen hat auf Veranstaltungen mit Mitarbeitern als Referenten auch um zu zeigen was mache ich in meinem Beruf. Da sind sie dann automatisch am Aperitif und dem sogenannten Networking, ins Gespräch mit den Mitarbeitern gekommen. Was haben sie dann für das Board mitgenommen? Ganz einfach, die verschiedenen Stakeholdererwartungen wie zum Beispiel die der Employees. [...] Da bin ich der Meinung da gibt es alle Möglichkeiten die sie angesprochen haben, da bin ich aber auch davon überzeugt dass das in einer gewissen Weise auch gemacht wird. Wenn sie als Unternehmung stark angewiesen sind auf bestimmte Zulieferer, weil sie in der verarbeitenden Industrie sind, dann sind sie als VR noch gut beraten wenn sie mit gewissen Zulieferern mal ins Gespräch kommen. Ob das einer von sich aus macht oder ob man das organisiert [...] da kommt es wieder darauf an welche Firma, wie groß, wie komplex sie ist. So Sachen organisieren kann das Management wahrscheinlich besser, weil es den direkteren Kontakt hat. Ob die Managementebene auf die Idee kommt halt, wir sollten das machen das wäre ja nützlich oder zureichend nötig oder ob der VR auf die Idee kommt oder ob sich dann einen Gespräch oder Gedankenaustausch ergibt ist egal. Wesentlich ist, dass es stattfindet, und ich bin auch überzeugt dass es effektiv statt findet, aber ohne große Strukturierungen ohne große Komiteetätigkeit und häufig findet es statt ohne dass man sich auch zielbewusst darauf konzentriert. Ohne das man sagt: „jetzt haben wir eine stakeholderorientierte Sache gemacht“. Dabei ist es effektiv durchaus genau das gewesen.</p>	<p>x stakeholder interactions can be initiated by the board member or the board, via the management or other internal persons, groups or institutions</p> <p>x stakeholder events (roundtables, road shows, presentations, networking events) for board members can be initiated by the board, management or other internal institutions related to the focused stakeholder groups (supply chain management to key suppliers, customer relationship management to key customers, management to employees, investor relations to important investors) in order to enhance stakeholder knowledge and relationship building</p> <p>x board members should be conscious about that these interactions bring important knowledge regarding stakeholder concerns and relationships into the board room and that they can build up stakeholder relationships and the consideration of stakeholder interests.</p>
Stakeholder Networks	G23	<p>Nein. Das [Ein Stakeholdermapping um zu schauen ob die wichtigsten Stakeholderbeziehungen durch die Beziehungen der Verwaltungsräte abgedeckt sind] macht man nicht. Die Auswahlscheidungen und auch die weiteren Positionierungsempfehlungen, also Leute zu verstehen und einzuschätzen ist einfach die nachfolgende Phase [nach der Nomination]. Das wird natürlich pi mal Handgelenk betreiben in einem gewissen Ausmaß, also wohl oder übel. Da könnte man mehr machen, das glaube ich ist richtig. Also dass es sinnvoll ist den Leuten das zu sagen und den Gedanken mehr Gewicht beizumessen. Aber dieses Gremium von Leuten betreibt seinen Wert immer erst dann, wenn etwas passiert wo man nicht erwartet hat. Wenn nur das passiert was man erwartet hat ist es einfach. Wenn etwas passiert an was man nicht dachte, dann sieht man plötzlich wie man ausgerüstet ist. In solchen Situationen können sie mit den vorhandenen Leuten ja mehr anfangen wenn sie diese gut kennen. Dann ist es furchtbar einfach, wenn sie etabliert sind und da gehört das Element vom Stakeholdermapping auch dazu, das ist ein Teil. Es ist wichtig, dann beweisen sie den Wert. Aber wenn man es nicht kennt. Was machen sie dann?</p>	<p>x boards should make a stakeholder mapping in order to evaluate if the important stakeholders of a company are (indirectly/directly) represented and balanced by board relationships</p> <p>x positioning, function and task of each board member should be evaluated based on his expertise, knowledge and relationships</p> <p>x unforeseen situations make the lack of a systematic evaluation and nomination by competences, knowledge and relationships in board obvious.</p>
Stakeholder Representation	G24	<p>Die Grundregel [dass man sagt wenn man zwar jemand als Vertreter eines Stakeholders in den Verwaltungsrat hineinwählt sollte er eigentlich immer alle Stakeholderinteressen repräsentieren und berücksichtigen und nicht nur singular auf eine pocket] ist richtig. Der Verwaltungsrat als Ganzes und die Geschäftsführung als Ganzes müssen die verschiedenen Interessensansprüche die es berechtigtweise gibt, es gibt auch unberechtigte natürlich, irgendwie auszugleichen berücksichtigen. Was auszugleichen heißt das verändert sich laufend. Es kommt darauf an, welchen externen Ansprüchen, Bedürfnisse oder Chancen man ausgesetzt sind und wenn man da zu viele zusätzliche Regeln dazugibt glaube ich wird es nicht mehr handhabbar. Überdefinition ist Unstimm, im Endeffekt geht es da um die Gesamtverantwortung. Es geht nicht darum dass der Herr Meier im Verwaltungsrat das Sagen hat, der Herr Müller für was anderes und die Frau Huber für nochmal etwa anderes. Weil der Verwaltungsrat entscheidet als Ganzes. Ob ein einzelnes Mitglied gegen einen Entscheid ist schützt ihn nicht vor seiner Verantwortung.</p>	<p>x Board members as a whole have to be aware of stakeholder concerns</p> <p>x Importance of the identification of legitimate stakeholder concerns</p> <p>x Dynamic changes in legitimate stakeholder concerns makes the representation of stakeholders on boards difficult</p> <p>x Direct stakeholder representation increases the risk for director free riding concerning their responsibility for stakeholders</p>

IV Stakeholder as Benefit Providers	Stakeholder Representat ion	G25	Das kann man machen. Da muß man aber aufpassen also, das Universalgenie a la Goethe das hat es nie gegeben. Das ist auch der Herr Goethe nicht gewesen, der war es nicht der hat das nur gemeint. Das gibt es nicht. Sie können ja jemanden nehmen weil sie glauben, berechtigterweise oder vielleicht unberechtigterweise, das ist jetzt mal belanglos, dass der jetzt über ein bestimmtes Gebiet, wo sie wirklich interessieren muß, oder wo relevant für den Erfolg ist, also über ein relevantes Stakeholdergebiet bescheid weiss. Der weiß vielleicht wirklich etwas aber er weiß halt nicht alles. Er weiß nie alles. Und das muss man im Hinterkopf haben.	x there is no universal genius and a board member covering all relationships ; even if aboard member was nominated due to his perceived knowledge and relationships of strategic importance for the company, his knowledge and expertise is limited and focused on a very specific part.
	Innovation	G26	Ja, es ist möglich [dass Stakeholder auch Einfluß auf Innovationen und Ideen haben können]. Es kommt aber sehr darauf an in welchen Gebiet man tätig ist, eine Unternehmung tätig ist. Aus Kontakt zu Kunden kann man unter Umständen erkennen wo die Entwicklung auf Kundenbedürfnisse liegen und damit in der Ausrichtung der eigenen Leistungen sich rascher umstellen als wenn plötzlich die Nachfrage zusammenfällt. [...] Bei einer Bank als Beispiel können Kundeninteraktionen im Privatbanking dazu führen, dass man merkt dass die reine Produktausrichtung nicht den Erfolg bringt. Sondern dass der Kunde verbesserte Betreuung wünscht und nicht noch mehr neue Produkte. [...] Da sind Kundenreaktionen wesentlich. Die Kunden sind ja bekanntlich Stakeholder. Aber da sagt ihnen das Management unter Umständen etwas anderes. Weil sie sich festgefahren haben, weil sie sich als die Superproduzenten von Anlagefonds sehen und nicht sehen dass die Produkte am Kundenbedürfnis vorbeientwickelt wurden bzw. falsch eingesetzt werden. Und da kann die Stakeholderkenntnis im Verwaltungsrat helfen.	x stakeholders and stakeholder relationships on board level can influence and initiate innovation and innovative ideas x customer relationships on board level provide important feedback on products and service of the company; this may increase the flexibility and facilitate a better positioning. (competitive advantage) x stakeholder relationships on board level bring different perspectives into boards and therefore decrease the risk of corporate blindness
	Monitoring	G27	[Also Stakeholder haben wenig Einfluß auf die Überwachung des Managements.]. Da ist etwas zu erwarten in Bezug auf die Vorgaben gegenüber dem Management. Also wenn sie unzufriedene Aktionäre haben, dann kann das dazu führen dass man im Bezug auf die Leistungsvorgaben gewisse Sachen ändert um die Aktionäre besser zufriedenzustellen zu können. Aber in Bezug auf den Kontrollprozess würde ich meinen weniger.	x stakeholders have only little influence and therefore benefit on the monitoring and control processes of boards towards management x stakeholders can support boards regarding the basic set up of the processes and the formulation of performance standards towards monitoring
	Service / Strategy	G28	[Also der positive Impact liegt eher in der Servicefunktion], also in der Beratung des Managements, auf die Vorgabefunktion. Aber in der Leitungsfunktion [...] da ist glaubt der grösste Einfluss zu sehen ...	x the beneficial impact of stakeholders and stakeholder relationships on the board of directors level is mainly focused upon the service and strategy function of boards.
	Strategy	G29	[Das andere ist dann eher eine Entscheidungsabklärung oder Strategieabklärung wenn beispielsweise eine Neuausrichtung geplant ist.] Das kommt wahrscheinlich schon irgendeine vor. Die Frage ist nur wie und mit wem?. Oder wenn sie eine Strategieänderung diskutieren dann ist das ein Gegenstand der einen höheren Vertraulichkeitsgrad braucht. Das können sie nicht der ganzen Welt im voraus schon sagen. Da müssen sie schon auf ihre Konkurrenten aufpassen obwohl die Reaktion der Konkurrenten unter Umständen ganz wesentlich ist. Sie können auch ihren Kunden nicht allzuviel im voraus sagen, weil sonst würden es ihre Konkurrenten ja auch. Das ist sicherlich heikel. Da werden in der Regel schon Rückkoppelungsüberlegungen gemacht. Sie können ihren Mitarbeitern im voraus auch gewisse Sachen sagen und die Reaktionen analysieren und einfließen lassen aber halt auch nicht alles. Wenn sie eine Strategieänderung machen kann es für gewisse Mitarbeiterkategorien negativ sein Und dann ist die Reaktion vielleicht auch nicht förderlich für die Strategiefindung. Höchstens als Implikation für Hindernisse in der Strategiedurchsetzung. Aber auch da gibt es Grenzen.	x changes in strategy need high confidentiality, stakeholders can only carefully be involved into strategy formulation and clarification if they are not part of the board and therefore committed to keep still. x although the reaction of competitors is relevant for the strategy formulation they can not be asked and included. x customers may not keep still and therefore may spread information concerning the new strategy to competitors x employees may be effected by strategic changes and by this may not provide an objective input for strategy formulation. x stakeholder relationships may enhance the decision clarification towards the implementation of a strategy (e.g. show up barriers and conflicts of a successful implementation)

Table 64: Selected Statements and Findings from Interview II

G.4 Selected Statements and Findings Interview III

Question	Category	Selected Statements from Interview III (Academic Stakeholder-Board Perspective)	
	Label	Nr	Statement
Findings			
I Board of Directors (General)	Board Tasks	L1	Es muss irgendwo immer einen gleichwertigen Input haben von der eigenen Kompetenzbasis. Und das ist ein sauber strukturierter Prozess, wie ich dann auch zu einer Strategie komme die eine grosse Chance hat umsetzbar zu sein. Und Strategie ist ja ursprünglich ein militärischer Begriff. Also die Strategie ist ja nicht nur das Wo hin sondern auch das Wie. Also inklusive der richtigen Organisation. Also es gibt viele Unternehmen die ja wegen der falschen Organisation untergangen sind auch in der jüngsten Schweizer Vergangenheit. Das heisst der VR ist also auch für die Organisation verantwortlich. Also nicht für die Detaiorganisation aber er bestimmt wie die grobe Aufstellung der Unternehmung sein muss, ihre strategischen Geschäftseinheiten, deshalb heissen sie ja auch so. Und wenn er das falsch macht dann können die Leute gar nicht richtig miteinander arbeiten. [...] Diese Struktur ist eines der wesentlichsten Resultate der Abbildung der Strategie ins Unternehmen. Und die Elemente der Struktur, wie auch immer sie sind, sind ja auch die Elemente die der Verwaltungsrat im Speziellen begleitet.
	Board Tasks	L2	Ja also, im schweizerischen Verwaltungsrat wird da sehr viel vorgeschrieben [...] und nach Obligationenrecht, hat ja der Verwaltungsrat sehr umfassende Aufgaben, die er zum Teil auch nicht delegieren kann, die sind gross genug, wie die Strategieverantwortung, wie die finanzielle Führung, wie die Besetzung der Geschäftsleitung und unter Strategie wird eigentlich alles subsumierbar.
	Board Tasks (Representation / Strategy)	L3	[...] ich denke das Unternehmen wird primär durch die Geschäftsleitung nach aussen hin repräsentiert. [Aber der Verwaltungsrat übernimmt eine Linkingrolle zu verschiedenen wichtigen Stakeholdern der Unternehmung] das schon. [...] Und die hat dann auch Einfluss auf die Strategie.
	Responsibility	L4	Der Verwaltungsrat ist ja immer als Ganzes verantwortlich. Er kann natürlich Teilprobleme in einem Komitee vorbereiten und aufbereiten, damit nicht alle alles machen müssen. Aber letztlich ist es immer eine Entscheidung des gesamten Verwaltungsrates [...]
	Board Size	L5	Es ist einfach so, wenn 8 schreien dann schreiegt halt der neunte auch. Wissen Sie, die Diskussionskultur ist halt schon anders so ab 7 oder 8 Verwaltungsräten. Ja in der XY sind wir halt 9 weil es auch wirklich viel zu tun gibt. Wir brauchen halt 9.
II Board Composition and Structure	Board Structure	L6	Darum glaube ich dieses Relational Capital das kann man auch durch kleine Boards holen. Da nimmt man dann halt noch einen Beirat. Ich meine man muss die Stakeholder kennen. Aber wenn ich versuche ein möglichst grosses Netzwerk zu betreiben dann würde ich das vermutlich nicht in VR situieren.
	Competences	L7	[Das macht man bei allen] Arten von Expertenwissen. Weil der VR ist nicht ein Expertengremium sondern ein Kompetenzgremium. Aber ich will ihn eigentlich eher weil er weiss wie man ein Unternehmen führt und nicht weil er Sachkenntnis hat. Also diese Juristen oder Experten die könnte ich nicht gebrauchen im Verwaltungsrat. Weil die wüssten wahrscheinlich nicht wie man ein Unternehmen führt. Ich brauche erfahrene Unternehmensführer im Verwaltungsrat.

	Composition	L8	Das ist ein extremes Portfoliomangement. Im Gegensatz zur Geschäftsleitung. Weil bei der Geschäftsleitung muss jeder Chef einer Division ein Manager sein, er darf nicht irgendwo einen gravierenden Mangel haben. Hingegen im Verwaltungsrat kann ich durchaus jemanden haben, wie den Chef des Politikomitees, der jetzt nicht sehr viel versteht von sagen wir einmal Finanzen, und dort auch nicht alle Tätigkeiten kennt. Ich habe bei allen Verwaltungsräten eine Kompetenzanforderung an das Gremium als Ganzes. Und daraus leite ich dann ab, wer etwa welche Kompetenzen hat und wo es Defizite gibt. Also ich habe von jedem Verwaltungsrat ein Kompetenzportfolio und das mappe ich mit dem Kompetenzportfolio der Firma XY und sehe daraus, welche Leute mir jetzt fehlen.	x board composition is portfolio management; a board member does not need to be an "all-round talent" but the special knowledge, expertises and relationships should be composed to a comprehensive set. x new board members have to be selected in order to add-up to the composition of knowledge and expertise of the remainder of the board members (e.g. fill a lack). x board members should have management experience x board members need knowledge and expertise x board members need social competences
	Human Capital	L9	Es ist nicht nur das Wissen, es ist für mich wichtig, dass einer schon ein Unternehmen geführt hat. [...] Ich brauche in einem Verwaltungsrat mit einem Portfolio von Kompetenzen und das sind ja nicht nur Wissenskompetenzen, das sind auch soziale Kompetenzen. Also man muss wissen wie man eine Unternehmung führen muss. Ich kann ja nicht irgend einen im Gremium haben, der noch nie ein Unternehmen geführt hat. Und der soll dann der Geschäftsleitung oder 10'000 oder 20'000 Leute sagen wo es hingeht. Und bei den Leuten die man kennt da kennt man auch Stärken und Schwächen und da kann man sich dann auch darauf einstellen. Nur das eine ist ein Netzwerk um den Besten zu finden und das andere das ist ein Netzwerk um es mit Freunden zu besetzen. Und das ist nicht gut und das sieht man leider immernoch ..	X board member nomination by friendship enhances the ability to decide if the board member fits into the general board set up (e.g. knowledge on the strength and weaknesses of the board candidate)
	Nomination	L10	[Es wird] weniger [auf das Beziehungsnetzwerk geachtet das ein potentielles neues Boardmitglied mitbringt]. Es ist vor allem die Kompetenz die er mitbringt, die zählt.	x First and foremost the competences decide if a board candidate is nominated as new board member the relationship network is only of subordinate importance
	Personal Union CEO - Chairman	L12	Ich bin sehr dafür, dass die Rollen konsequent auseinander gehalten werden. Auch zwischen VR und GL. Das sind zwei unterschiedliche Kamerastandorte. Wir arbeiten sehr gut zusammen der eine mit dem anderen. Aber darum bin ich auch der Ansicht, wenn der VR und der CEO, wenn das die gleiche Person sind, dann ist das einfach suboptimal. Nicht einmal wegen der Macht, sondern weil man einfach einen unabhängigen Kamerastandort weglässt und damit die Gefahr, dass man irgendwann einfach in die Wand läuft grösser ist. Und das ist auch mit Stakeholdern so. Ich bin der Meinung, es braucht starke Arbeitnehmervertreter, aber wenn sie zufällig in einem VR sind, dann sind sie zwar da, weil man aus irgendeinem Grund machen will, dass der VR ausgevoogen ist, aber der VR vertritt die Firmeninteressen.	x if CEO and chairman are composed in personal union it increases the power of the chairman over the board x if CEO and chairman are composed in personal union an independent viewpoint will be lost x the board of directors and the management should be clearly divided and independently composed
	Customers	L13	Das heisst, der eine kennt vielleicht eher potenzielle Kunden und weiss wie die funktionieren, bring die rein. [...] Wenn man eine Strategie macht, ist der Kunde abstrakt. Wenn man konkret verkauft, hat er einen Namen und wenn man die Strategie macht ist er ein Segment. Ich mache also eine Strategie für ein Segment, kann mir aber hinter einem Segment Players vorstellen. Das ist aber im Business to Business wieder ganz anders als im Business to Consumer. Wenn ich in Consumables bin, da sind der Kunde wir alle, gut, dann sind die Detailhändler auch Kunden, aber dann kann ich mir hinter einem abstrakten Markt konkrete Unternehmen vorstellen und damit kann ich dann meine Überlegungen immer wieder verifizieren. [Ich kann mich dann fragen] wie würde [der Kunde] reagieren auf diese Strategie, [...] wie würde der reagieren, wenn ich mich so oder so verhalte.	x customer relationships may enhance strategy formulation and implementation (e.g. stakeholder relationships can proactively reflect the reaction of stakeholders on strategic decisions) x relationships to customers can be indirectly reflected by the multifunctionality of board members as stakeholders (e.g. business experiences with companies that are customers of the focal firm, board member as customer or relationships to specific customers)

Experts	L14	Ich glaube, Elemente die man berücksichtigen muss für eine Strategie ist sicher einmal Kenntnis des Umfelds. Das ist auch das gesetzliche Umfeld, das sind Normen, das sind Regeln, Vorschriften, die einmal einfach gelten. Um das zu kennen braucht es gewisse Kompetenzen im Verwaltungsrat. Wenn die Gesetzeslage sehr schwierig ist, dann holt man sich einen her, der einem da hilft das zu interpretieren. [...] Also man holt dann externes Expertenwissen ein [...] Und die erstellen dann einen Expertenbericht. Und der Expertenbericht wird dem Verwaltungsrat in einer Verwaltungsratssitzung vorgelesen. Es könnte natürlich sein dass dies auch erst in einer Ausschusssitzung vorgelesen wird. Aber das ist dann eine organisatorische Frage, wie sich der Verwaltungsrat organisiert. Im Hinblick auch auf die Arbeitsleistung. Aber Entscheiden tun schlussendlich alle. Falls man nach dem Bericht indifferent ist dann kann man den Experten auch zu einer VR Sitzung einladen damit man seine Erkenntnisse anhört und dann im Gremium diskutiert und befragen kann. [Wie würde die Regierung reagieren, wenn ich mich so oder so verhalte?] Kenne ich überhaupt alle Regierungen der Kantone? Und dann ist natürlich das Netzwerk wichtig. Weil die Regierungspräsidenten, die sprechen mit dem Präsidenten [unserer Firma], jederzeit. Das nutze ich aus. Im anderen Fall, im konkreten Fall können sie dann Türen öffnen zu potenziellen Gesprächspartnern. Nachher, die eigentlichen Verhandlungen führt nicht der Verwaltungsrat. Vielleicht in einer gewissen Phase noch der Präsident, aber dann die konkreten Gespräche führt doch schon mehr der CEO.	x legal competences should be included by board composition x if the knowledge and expertise of the board is not sufficient in a specific situation, external experts can be assigned by the board in order to formulate an expert report to the attention of the board in full plenum or board committee. x experts can be invited to board meetings in order to discuss their opinions and solve open questions
Interactions	L15	[Man nach dem Bericht indifferent ist dann kann man den Experten auch zu einer VR Sitzung einladen damit man seine Erkenntnisse anhört und dann im Gremium diskutiert und befragen kann. Wie würde die Regierung reagieren, wenn ich mich so oder so verhalte?] Kenne ich überhaupt alle Regierungen der Kantone? Und dann ist natürlich das Netzwerk wichtig. Weil die Regierungspräsidenten, die sprechen mit dem Präsidenten [unserer Firma], jederzeit. Das nutze ich aus. Im anderen Fall, im konkreten Fall können sie dann Türen öffnen zu potenziellen Gesprächspartnern. Nachher, die eigentlichen Verhandlungen führt nicht der Verwaltungsrat. Vielleicht in einer gewissen Phase noch der Präsident, aber dann die konkreten Gespräche führt doch schon mehr der CEO.	x stakeholder relationships open up communication channels and facilitate access to further knowledge and expertise x negotiations with important stakeholders (e.g. regulator) are undertaken by the chairman of the board or the CEO of the company
Internal Information Providers	L16	Und der VR muss so viel vom Prozess verstehen, dass er bei internen Informationen merkt dass man vielleicht auf einen internen Auge blind ist und dass man durch eine externe Befragung eine objektivere Meinung erhält. Das macht man dann.	X board members should be conscious that internal information (e.g. information from management and corporate institutions) bears the risk of corporate blindness
Internal Information Providers	L17	Ja also das sind ja zwei Ebenen also das eine ist das operative Geschäft, das sind die grossen Einheiten, die Divisionen. Das andere ist das Öl im Getriebe, also die Kommunikationsabteilung, die Investor Relations, und das sind ja ganz wenige Leute. Aber die helfen mir eigentlich die Arbeit die ich [als Verwaltungsrat] mache richtig zu kommunizieren und zu positionieren.	X the board has two important company internal institutions to deal with, the strategic business units and divisions (e.g. monitoring and control of the strategic operationalization and on the other hand to give important influence and knowledge for future strategic decisions) and corporate communications that help the board to communicate and position its results and decisions
Stakeholder Networks	L18	Hingegen ich habe weniger benutzt bis jetzt auf die Vernetzung geachtet. Es ist ja immer auch ein Risiko, dass es da Interessenkonflikte gibt, aber das lässt sich nicht ausschliessen. Natürlich suche ich in der XY jetzt jemanden der Logistikerfahrungen hat. Und der kommt natürlich aus einem Logistikumfeld und kennt natürlich den Markt, damit ist er vernetzt, weil er kennt die wichtigsten Players. Ich habe das bis jetzt weniger als Vernetzung angesehen, als dass er einfach das Geschäft kennt. Das Geschäft kennen heisst natürlich die Players kennen und letztlich auch die Personen kennen, die dahinter stehen.	x Too strong relationship networks bear the risk to increase conflicts of interests x knowledge and expertise of a board member implies a network of relationships to the most important players regarding the focused competences (business and market relationships)
Stakeholder Relationships	L19	Auch in der Rolle, wenn ich das Unternehmen verrete, muss ich natürlich mich korrekt verhalten. Da gibt es Spielregeln. Und ich muss natürlich zeigen, dass ich diese Spielregeln einhalte. Und da gibt es auch Spielregeln zu Gunsten von Minderheitsaktionären und das muss ich natürlich einhalten. Aber auch wenn ich das tue mache ich das im Interesse des Unternehmens, ich habe ein Interesse, dass das Unternehmen sauber und lauter da steht. Selbstverständlich steht in jedem Geschäftsbericht, dass wir nur für den Kunden da sind, das ist auch der Zweck und irgendwo steht, dass wir nur für die Shareholder da sind und dann steht irgendwo dass wir nur für die Natur da sind, wir sind für alle nur da. Aber was alles zusammenhält, das ist das langfristige Interesse des Unternehmens. Wenn wir das Vertrauen der Investoren verlieren, ist das schlecht. Oder der Kunden und darum müssen wir diese Statements selbstverständlich erfüllen. Weil es sonst ein Widerspruch wäre, weil es sonst nicht gut wäre für das Unternehmen.	x to serve the interests of all stakeholders in a balanced way x serves the interest of the company in a long term. x in order to maintain the trust of all stakeholders the company has to fulfil its statements (e.g. made by annual report and company information)

Stakeholder Relationships	L20	Also, eine Firma soll ja Mehrwert generieren. Meiner Meinung nach geht langfristige Mehrwertgenerierung nur, wenn man verschiedene Stakeholder angemessen berücksichtigt. Das sind die Kunden, das sind die Investoren, das sind die Mitarbeitenden. Eigentlich müsste man die Umwelt dazu nehmen, möglichst so lange, dass der Feedbackzyklus nicht die Verursacher trifft, sondern andere. Wenn man das eigentlich langfristig machen würde. Das heißt, der Mehrwert, entsteht dadurch, dass man verschiedene Elemente ausgewogen berücksichtigt.	x to serve the interests of all stakeholders in a balanced way serves the interest of the company in a long term.
	L21	Der VR muss die Firmeninteressen vertreten. Nicht die Kundeninteressen. Um die Firmeninteressen zu vertreten sollte man möglichst viel Gutes für die Kunden tun. Aber es ist eine andere Partei. Also es kann sehr gefährlich sein, wenn die Kunden in einer Firma zu stark vertreten sind. Dann gehen die Margen der Firma kaputt [...] weil man optimiert dann den Gewinn der Kunden.	x stakeholder representation and relationships as well as their influence should always be balanced x if the customers influence on the board of directors is too strong or unbalanced represented the margins of the company decrease in order to increase customer benefits.
	L22	Also wir haben [in unserem] VR zwei Personalvertreter. Das ist eine riesen Chance. Sie sind loyal, und ich benutze sie auch nicht als Möglichkeit, um mit den Gewerkschaften zu sprechen, das geht über die offiziellen Kanäle. [...] Aber es erlaubt es uns im Verwaltungsrat, bei unseren Strategien zu berücksichtigen wie eine Gewerkschaft und wie der Mitarbeiter auf Veränderungen reagieren würde. [...] aber die vertreten nicht die Gewerkschaft, sondern die vertreten die Firma, die Interessen der Firma. Der Kontakt zu den Gewerkschaften passiert durch den CEO und durch den Chef HR, das sind die offiziellen Kanäle, die eben mit den Arbeitnehmern und Arbeitnehmervertretern sprechen und das ist eben nicht die Arbeitnehmervertretung im VR. Eben gerade nicht. Diese Rolle dürfen sie nicht spielen, das ist nicht Aufgabe als VR Mitglieder, Arbeitnehmervertreter zu sein. Es ist aber Aufgabe des VR zu verstehen wie Arbeitnehmer funktionieren und Arbeitnehmervertreter. [Das sind auch beides] Externe. Vorgeschlagen von den Arbeitnehmervertretern. Gewählt durch die Generalversammlung und den Bundesrat. [...] Und es ist einfach so, dass der Bundesrat mit mir spricht und ein extremer Gewerkschafter, der nicht loyal wäre, der würde nicht gewählt.	x board members as direct representatives of stakeholders should not represent particular interests but the interest of the focal firm. x direct stakeholder representation helps to understand the stakes and behaviour of the stakeholders directly represented but should not be used to place the interests of these stakeholders on the board of directors' level over the interest of all stakeholders and the firm. x direct stakeholder representatives have to be loyal to the firm x interaction processes with stakeholders that are directly represented by board members should be undertaken by board externals (e.g. interaction and contacts to employees and unions by the CEO and HR of the focal firm)
Stakeholders	L23	Wenn also ein Verwaltungsrat seine gesetzliche Rolle der Strategieverantwortung wahrnehmen will, muss er die Elemente kennen, die er kennen muss um die Strategie zu machen, er muss das Umfeld kennen, er muss die Kunden kennen, er muss den Wettbewerb kennen, er muss die Lieferanten kennen, er muss selbstverständlich andere Stakeholder berücksichtigen, auch im Verwaltungsrat, Arbeitnehmer auch, natürlich den Shareholder. Und dazu muss er entsprechende Kontakte haben. Ich habe immer versucht Schlüsselkunden persönlich zu kennen, er denkt ja auch, was sind allfällige strategische Partner, die Grenze zwischen einem strategischen Partner und einem Wettbewerber ist ja nicht sehr gross, das heißt er muss die Leute kennen, damit er seine Aufgabe wahrnehmen kann. Das bringt er ein durch Erfahrungen, die er hat oder macht, wenn er mit solchen Leuten spricht oder an Anlässen ist wo solche Leute sind, die bringt er natürlich ins Unternehmen, weil er Einfluss auf die Strategie hat.	x in order to formulate an adequate and effective strategy, the board of directors need to know the corporate environment (key customers and customers in general, competitors, markets and competitive environment, potential strategic partners, suppliers, other stakeholders, employees, shareholders), this implies that he needs relationships and contacts to the relevant key stakeholders. x by interaction with stakeholders in the stakeholder network of the individual board member (by instance, on events or meetings) the board member gains knowledge about these stakeholders which influences the strategy making process x competitors can be seen as potential new strategic partners and links or contacts to these companies should not be neglected.

	Transparente y	L24 <i>Er sollte alles wissen und völlig unabhängig sein. Aber es ist vielleicht eher eine ethische Frage. Ich könnte jeden Tag, wenn ich wollte und ohne dass dies ein Corporate Governance Mensch vielleicht jemals herausfinden würde, einem Freund oder einem Bekannten eine sonstige Information geben, wo nicht richtig wäre. Wenn ich aber keine Person wäre, die nicht ein solches Beziehungsnetzwerk hätte, dann wäre ich völlig unfähig den VR zu führen. [...] Aber ich glaube ein Setup das Interessenskonflikte oder Mausestehlen a priori verhindert ist per se nicht möglich. Sondern es geht darum es transparent zu machen.</i>	X stakeholder relationships on the board of directors' level include the risk of conflicts of interests; the relationships should be made transparent in order to increase the risk. (e.g. internal transparency by a governance committee that takes an oversight function on the board members further mandates and activities, transparency to the public by general information on the background and relationships of the board members)
IV Stakeholder as Benefit Providers	Access	L25 <i>Das habe ich, wie gesagt, als Netzwerk zwischen Leuten mir bisher in Verwaltungsrat nicht bewusst gemacht, sondern ich habe es als Portfolio von Kompetenzen gemacht, das implizit Kenntnis von Playern beinhaltet. Damit bin ich natürlich froh, einzelne Leute, da weiss ich die kennen die grossen europäischen Player in unserem Businessumfeld und das hilft dann natürlich, wenn ich mit einem das Gespräch eröffnen will, dann kann ich den einfach anrufen.</i>	x knowledge and expertise of a board member implies a network of relationships to the most important players regarding the focused competences (business and market relationships) x stakeholder relationships open up communication channels and facilitate access to further knowledge and expertise
	Strategy	L26 <i>Ich habe es bisher primär unter dem Aspekt des Kennens des Marktes angeschaut. Implizit ist das aber auch pro-aktiv, denn ich gehe natürlich auf den Markt zu. Nicht nur dass ich ihn kenne und warte bis er auf mich zukommt. Ich kenne den Markt und versuche selber schneller zu sein als er. Die XY [...] macht dadurch gewisse Dinge schneller und wir können daher auch gewisse Positionen schneller besetzen, das ist der pro-aktive Teil. Networking war für mich immer etwas das automatisch mitgekommen ist. Das Kennen war für mich im Vordergrund. In dem Sinn kann man sagen, der pro-aktive Teil ist eher die Kompetenz und Marktkennntis oder die Kenntnis der Player ohne dass ich jetzt konkret ein Netzwerk habe von Personen, die mir den Eintritt in ein Gespräch erleichtern. Wenn ich die Leute auswähle, dann habe ich das bis jetzt weniger bewusst gemacht. Vielleicht mache ich es in Zukunft bewusster.</i>	x stakeholder relationships by board member expertise and knowledge can be used for proactive strategy formulation and therefore is a competitive advantage (e.g. advance of knowledge, strategic positioning)
	Strategy	L27 <i>Also das ist sehr real, [die Firma XY verfolgt eine neue Internationalisierungsstrategie] und wir suchen sehr real nach Leuten für den Verwaltungsrat die den europäischen Markt kennen. Das geht explosionsartig ins Ausland. [...] Ich suche ganz bewusst Leute mit Logistik Know-How, mit Business Know-How und Markt Know-How bezogen auf die Internationalisierungsstrategie die finde ich in der Grössenordnung in der Schweiz nicht.</i>	x new board members can be chosen due to their competences, know-how, expertise and relationships that benefit a new strategic orientation of the company (e.g. internationalization leads to a board member international knowledge and foreign nationality)

Table 65: Selected Statements and Findings from Interview III

G.5 Selected Statements and Findings Interview IV

Selected Statements from Interview IV (Academic Stakeholder-Board Perspective)			
Question	Category Label	Nr	Statement
I Board of Directors (General)	Board Tasks	R1	<p><i>Etwas zu meinem Bedauern sind das immernoch die finanziellen Resultate und Perspektiven. Man spricht sehr viel oder viele Boards verstehen ihre Hauptaufgabe darin die Rechnung zu diskutieren, die Umsatzentwicklung, die wirtschaftliche Entwicklung ausgedrückt in finanziellen Zahlen. Ich persönlich habe aber eigentlich ein etwas anderes Verständnis, es ist mir bewußt, dass man das muß aufgrund der Rechtsgrundlagen. Ich hätte lieber gesehen, habe das aber weniger deutlich erlebt, dass man die strategische Grundausrichtung des Unternehmens diskutiert hätte. Also die Visionen und so weiter. Also sehr oft werden diese Informationen als vom Management fertig bearbeitet zur Genehmigung vorgelegt und nicht erarbeitet oder diskutiert im VR. Ich würde darin aber eigentlich die Hauptaufgabe sehen. Als drittes würde ich als wesentlich Aufgabe sehen, die ganzen Wahlfunktionen die eine Unternehmung hat - was sie an Topmanagern auswählen muß für die Zukunft. Also wenn ich nochmals zusammenfasse den Controllingaspekt, den Finanzcontrollingaspekt würde ich nicht so wichtig sehen wie er ist in der Tat, den Strategiegenerierungs- und Verfolgungsprozeß hätte ich gerne mehr gesehen und den Wahlaspekt- die künftigen Träger des unternehmerischen Geschehens auszuwählen würde ich auch gerne etwas wichtiger ansehen. [...] Bei der ersten Aufgabe habe ich noch die Vertretung nach Außen vergessen. [...] Und zwar ist es ja glaube ich auch im Gesetz drin. Also die Vertretung nach Außen in einem gehobenen Sinn, es kann ja nicht sein dass ein VR, oder es ist sogar gefährlich, wenn ein VR in Alltagsgeschäften die Firma nach Außen vertritt, weil er nicht richtig orientiert ist. Aber in entscheidenden Stakeholderbeziehungen z.B. gegenüber Behörden, gegenüber Finanzen, gegenüber Räten oder was im Rahmen von Issues auftreten kann. Für diese Vertretungsfunktion nach Außen ist der VR sehr wichtig. [...]</i></p>
	Board Tasks (Strategy)	R2	<p><i>[Und wenn wir nochmals die strategische Rolle betrachten] da wird kaum jemand herbeigezogen. Das ist das schlimme. Heute ist die Strategiegestaltung, habe ich glaube ich schon einmal gesagt, meines Erachtens überwiegend in der Hand des Managements und nicht des VRs. Der VR nimmt diese Funktion zu wenig wahr, in Folge dessen pflegt er auch zu wenig Kontakt mit potentiellen Stakeholdern auf diesem Gebiet. Das wäre meine generelle Einsicht, es gibt immer Ausnahmen, hat es immer gegeben.</i></p>
II Board Composition and Structure	Board Structure	R3	<p><i>In einem Fall habe ich sehr kleine Boards erlebt, von 5 Mitgliedern, und in diesem Board fand überhaupt keine organisatorische Aufteilung statt außer durch den Vorsitzenden und den Vizepräsidenten der nie in Aktion getreten ist. Alle haben alles gemacht. Und mußten sich auch mit allem auseinandersetzen, waren in dem Sinn durchgehend und bedingungslos für alles verantwortlich. Und dann, das ist wohl für größere Unternehmungen die wichtigere Lösung, oder die richtige Lösung, dass man die funktionale Aufteilung macht in Komitees oder Wahlkomitees oder Kaderfindungskomitee oder Controllingkomitee wie sie ja im Teil auch vorgesehen oder vorgeschrieben sind. In meiner Erfahrung habe ich viel mehr den ersten Fall gelebt. Zum Teil waren das auch Familienunternehmungen, zum Teil waren es kleinere und mittlere Unternehmungen und da hat diese funktionale Aufgliederung nicht stattgefunden. Ich denke aber, dass sie unabdingbar ist in großen Unternehmungen.</i></p>
			<p>Findings</p> <ul style="list-style-type: none"> x Too strong focus of boards on monitoring and controlling tasks x Boards should have a stronger focus on the basic strategic orientation of the company (e.g. visions) x Boards should have a stronger focus on the nomination and adequate composition of management and boards. x Boards have the function to represent the company to corporate stakeholders and external constituencies x Representation to external constituencies is based on Issues or strategically relevant stakeholder groups but in its content not focused on the daily-business of the company (e.g. missing up-to-date information on the daily business) x Based on legal tasks the board tasks are not solely focused on monitoring x boards should be more involved in strategy making processes x stakeholders should be more involved or considered in strategy making x strategy is more in the hands of management than by the boards. x boards should be more conscious in the importance to build-up and maintain stakeholder relationships x smaller companies and family firms have small boards (5 members) x small boards do not establish committees (or to a lesser extend), all members are responsible for all tasks x bigger companies have bigger boards x bigger boards need to establish committees

Personal Union CEO - Chairman	R4	Ich habe noch einseitig erlebt in den Fällen, in denen ich im VR war, dass der Präsident des VRs auch CEO war - diese Doppelfunktion, die ich persönlich als nicht gut ansehe. [...] Aus Kontrollfunktionen. Der Monitoringperspektive und auch aus der Perspektive, dass dann der Präsident des VRs soziale Informationen hat im Vergleich zu anderen Mitgliedern, dass er die alle dominiert. Also nur noch der Präsident Recht hat in einer Diskussion, weil er als CEO immer an die Schublade der Details kam und sie so an die Wand spielen kann. [...] Also Controlling klar nicht. Strategie - ich meine vielleicht in der Umsetzungsperspektive, dass dann das wenn er aus dem VR mit den Beschlüssen geht, dass er dann als CEO wenn er diese Beschlüsse mitteilt diese unmittelbar umsetzt und stärker umsetzt als wenn ein Befehl von oben an ein en Zweiten geht, das könnte ich mir als Vorteil vorstellen. Bei den Wahlen würden bei mir wieder die Bedenken kommen ob da nicht Interessenkonflikte sind.	x Personal union decreases monitoring function of the board x Personal union may increase strategy formulation and implementation due to the direct linkage to management (e.g. information) x Personal union may decrease nomination ability of boards due to conflicts of interests (e.g. power) x Personal union yields for the CEO/Chairman to dominate the board (e.g. power by information asymmetry)
Nomination of Board Members	R5	Die personelle Besetzung ist ein Riesenthema. Das schwerwiegendste in der personellen Besetzung und ich habe das auch erlebt ist wer bringt den Vorschlag in den VR, dass ein VRmitglied neu gewählt wird. Und da erlebe ich einfach, dass das Management der Firma einen viel zu großen Einfluss hat. Die sagen eigentlich dem VR, allerdings nicht in dieser direkten Form wenn sie haben möchten und wenn nicht. Darum möchte ich eigentlich, dass der VR um einiges aktiver wird in der Suche nach Mitgliedern. Darin sehe ich das absolut größte Problem.	x Management has high influence on the nomination of new board members x Boards need to be more active in the search for adequate new board members
Nomination of Board Members (Trust)	R6	Ich würde sagen eine große Rolle spielt auch das Vertrauen. Vertraut man dem Menschen in irgendeiner Richtung und das führt dann sehr schnell dazu, dass die personelle Zusammensetzung in Richtung auf Freunde degeneriert. Ich kenne den XY weil ich mit ihm im Militär war oder Rotaryclub oder wir haben schon viel miteinander gemacht also komm doch zu mir in den VR. [Als persönliche Beziehungen können schon eine Rolle spielen aber nur auf der Basis des Vertrauens oder Zutrauens - man weiß ja nicht was in den VR kommen wird in den Jahren und wenn ich mich mit einem Mensch nicht gut verstehe dann denk ich mir vielleicht [mit ihm] werde ich nicht zusammen am gleichen Strick ziehen können. Ich habe selbst Menschen vorgeschlagen in VRs, weil ich gedacht habe das ist der Typ da hineinpassen wird. Also ganz generell.	x Trust is an important factor for the nomination of new board members x Trust favours the nomination of board members who are friends of former or current board members and holds the risk to nominate board members that do not have the adequate experience and knowledge. On the other hand it decreases group conflicts on board level.
Nomination and Composition of Board Members	R7	Schwerer ist es meines Erachtens deduktiv das Problem lösen zu wollen. Also zu sagen was sind die Aufgaben des VRs, wird ja oft beschreiben, also was für Menschen muß ich haben, mit den beruflichen Fähigkeiten. Schautung deshalb weil in kritischen Situationen - ich habe zwei sehr kritische Situationen erlebt - in kritischen Situationen ist diese berufliche Spezialisierung nicht sehr wichtig weil dann brauchen sie wirkliche Berufsleute, dann brauchen sie zum Beispiel einen Finanzspezialisten. Weil das können VRmitglieder in einer solchen Situation nicht mehr machen und das ist auch meines Erachtens nicht so wichtig. Viel wichtiger ist, dass jemand - sagen wir einmal- bereit ist sich in die Probleme einzuarbeiten. Und das weiß ich auch nur wenn ich den Menschen etwas kenne. Weil wenn ich jemand auf der Strasse sehe weiß ich ja nicht ob der den Willen und die Kraft hat sich in irgendein ungeliebtes Problem einzuarbeiten oder ob er sich zurückzieht und hört was das Management sagt und dann ja oder nein sagt. Diese Kraft sich einzubringen, zu integrieren scheint mir ein wesentliches Kriterium zu sein. Und in der Zusammensetzung gesehen möchte ich gerne Menschen haben, die wenn ich den VR ansehe etwas unterschiedliche Funktionen haben, aber nicht nur die berufliche - ein Jurist, ein Finanzler sondern in diesen etwas menschlichen Fähigkeiten - Vertrauensbindnis, Wille und Kraft unangenehme Dinge aufzudecken - so würde ich das eher versuchen zu differenzieren.	x Educational background of a board member is not the most important characteristic a board member should be nominated for. Board members should be willing to listen and to acquaint themselves with the problems and tasks of the board. x Boards should be composed of board members with diverging characteristics and abilities but high motivation.
Board Composition	R8	Was die Zusammensetzung betrifft, wenn man funktionale Ausgliederungen hat dann gibt es dort schon einen Hinweis wenn eine Vakanz kommt. Soll es jetzt jemand sein der in der Personal- oder der Kontrollgruppe arbeiten soll, da gibt es schon den ersten Hinweis woher der Mensch kommen soll.	x the knowledge and expertise of a new board member needed is shaped by the composition of knowledge and expertise from the remaining board members (e.g. fill a lack) x the knowledge and expertise of a new board member needed is shaped by its individual function in a board

Board Composition	R9	Das ist sicher ein Vorteil wenn man etwas stakeholderbewußt denkt bei der Zusammensetzung, dass dort diese Informationen natürlich wieder einfließen. Oder auch wenn man bei der Zukunftsgestaltung und dem was man selber als Zukunft versteht bereichert wird durch das was diese Leute beitragen können. Umgekehrt muß man ja auch schauen, dass man Probleme und Menschen erfasst die im Moment noch nicht von entscheidender Bedeutung sind es in der Zukunft aber sein werden.		
	R10	Jetzt muß man sagen warum hat man denn das abgeschafft, diese großen VR der Vergangenheit. Das kann aus mechanischen Gründen sein weil es zu Aufwendig war immer mit diesen Leuten zu oprieren. Das verstehe ich. Es kann auch sein das man zu stark rein finanziell denkt. Das vermute ich, dass man zu einseitig finanziell denkt. Es kann auch sein, dass man das schlecht gehandhabt hat und einen Haufen Freunde hineingenommen hat anstatt von einen Haufen Stakeholdervertretern und die im Endeffekt alles das gleiche vertreten haben.[...] Und dass man nicht systematisch die Stakeholderidentifikation auf die Zukunft hin überlegt hat, was sind in Zukunft unsere Stakeholder und von dort holen wir die Leute hinein. Ich bin vollendet davon überzeugt, dass man das besser machen kann.		
III Board Stakeholder Relationships and Interactions	Representation	R11	Bei den Anforderungen, der Zusammensetzung des VR kann man entweder bewußt die Stakeholderbeziehungen oder überhaupt die Beziehungen die einer mit sich bringt in Rechnung stellen oder man kann sie bewußt nicht wollen. Intuitiv habe ich den Eindruck, dass in der Vergangenheit in der Schweiz diese Stakeholderinteraktionen sehr gesucht wurden im VR, darum hatte man 25 Leute in einem VR. Einen Katholik, einen Protestanten, einen Juden, einen Schaulen- ich weiß nicht von allem einen. Die alle hinter sich eine Gruppe von Leuten haben die irgendetwas gegenüber dem Unternehmen an Interesse haben. Ich denke das ist für mich fälschlicherweise in den letzten 10 Jahren zugunsten des Verständnisses der Finanzfunktion zurückgestuft worden. Ich brauche nicht nur Menschen die die Finanzen verstehen sondern ich brauche auch Menschen die mir sicherstellen können, dass ich mit den Steuerbehörden oder der Schweizer Regierung oder im internationalen Vergleich mit einer EU reden kann. Und insofern halte ich die Entwicklung der letzten 10, 20 Jahre in diesem Punkt für nicht gut und würde mir wünschen dass diese Vertretung nach Außen wieder besser und professioneller wahrgenommen wird.	<ul style="list-style-type: none">x Boards should be more focused on their representation function.x In the past larger boards were established in order to represent all kinds of stakeholders on corporate boards with a stake on the company.x Board size decreased in the past due to the increasing importance of the monitoring function but simultaneously the representation ability of boards decreased.
	Stakeholder Relationships	R12	Es gibt wahrscheinlich drei Elemente, die Stakeholder die das Unternehmen braucht, die Unternehmensrelevant sind, dann diejenigen die das Board braucht und dann kann es noch sein dass es die Stakeholder sind die ein einzelnes Mitglied hat und braucht. Das wird teilweise überlappt. Da müßte man natürlich bei der Auswahl schauen welche Stakeholdergruppen mutmaßlicherweise für die Zukunft entscheidend sind. Da ist aber immer diese große Unsicherheit, was werden die Probleme des Unternehmens sein in der Zukunft. Welche Stakeholder sind mutmaßlicherweise in der Zukunft wesentlich und habe ich jemand der Zugang zu diesen Netzwerken hat in meinem VR. Die Gefahr ist, dass man sich zu stark auf die Vergangenheit abstützt. Also mit Stakeholdernetzwerken, die in der Vergangenheit wesentlich waren.	<ul style="list-style-type: none">x Three dimensions of stakeholder relationships and networks that should be covered by the composition of the board of directors (the corporate stakeholder network, the board stakeholder network and the board members stakeholder network)x Boards should be focused on the future importance of stakeholders in all three dimensionsx Board members open up relationships to these stakeholder networks

Stakeholder Representation	R13	<i>Ja das [Board] halte ich für die geeignete Plattform, als eine Arena, für Stakeholderinteraktionen in einer Unternehmung] das würde ich sagen definitorisch ja. Richtig verstanden und sie haben das ja gemacht in dem sie gesagt haben welche Stakeholder sind für den VR wichtig und nicht alle möglichen Stakeholder die da auf anderer Stufe oder in anderen Zusammenhängen herumfigurieren. Man müßte eigentlich auch eine Stakeholderidentifikation machen für den VR, nicht für die Firma da ist das anders. Wenn man das machen würde und wenn man das systematisch nutzen würde in der Zusammensetzung des VRs oder in Kontaktgestaltung des VRs nach außen würde ich persönlich ein sehr großes Potential sehen. Ich bin der unpopulären Meinung, dass das vor zwanzig Jahren besser gemacht worden ist als heute. Es ist eben wichtig, das ein stakeholder Vertreter oder ein board member mit höher affinität zu stakeholdern im VR ist. Es ist wichtig, dass mindestens zwei Frauen im VR sind, nicht nur eine allein, es muß sein oder eine Quote von 40% wie in Norwegen. Es muß sein. Und damit ist ein Stakeholderelement drin. Oder es muß sein, dass meiner Meinung nach, dass jemand drin ist der finanziell so stark und unabhängig ist, dass er sich alles erlauben darf und als Vertreter des unabhängigen Denkens im VR wirkt und so weiter. Ich habe mir das nicht im Detail überlegt, aber ich bin vollendet davon überzeugt dass es so sein muß.</i>	<ul style="list-style-type: none"> x the board of directors seems to be an important platform / arena for stakeholder relationships and stakeholder interactions of the company. x importance of stakeholder identification from a board member, board and company perspective x board needs to identify the important stakeholder from a board perspective as well as the board stakeholder network established by composition and the individual networks of the board members (stakeholder mapping) in order to systematically increase the benefits from stakeholder relationships x the development of boards and the changes in board practice, composition and structure decreased the stakeholder orientation of boards. x at least one stakeholder representative or board members with high relationship capital to different stakeholder groups should be included in boards x at least two women should be included in boards or a quota regulation should be implemented by law x at least one financial and from other factors independent board member should be included
Stakeholder Representation	R14	<i>Da gibt es zwei Stufen. Es gibt natürlich den Vertreter z.B. den Vertreter der Gewerkschaft oder den Vertreter des Arbeitgeberverbandes, der direkt diese Institution vertritt. Ich denke aber wichtiger und überlegenswerter also diese schon fast parteiell oder inhaltlich festgelegten Vertreter würde ich sehen, Leute die hinter sich ein Netzwerk haben oder eine breite Meinung vertreten. Also z.B. ein großes Kundensegment oder ein Land die wissen was Peru ist. Ich weiß nicht was Peru ist. Wenn ich in Peru tätig bin oder das ein Entwicklungsziel ist in den Markt eindringen zu wollen ist es außerordentlich wichtig, dass ich jemanden habe der Peru kennt und der in Peru ein Netzwerk hat mit dem er arbeiten kann. Habe ich in einem Fall erlebt, dass man das benutzt so gemacht hat.</i>	<ul style="list-style-type: none"> x Two dimensions of stakeholder representation and relationships in the board of directors (direct representation and relationships e.g. representative of unions or employees; indirect representation by the individual stakeholder network of the board member) x Stakeholder relationships can open up benefits for strategic decisions and orientations (e.g. new markets)
Stakeholder of the Board	R15	<i>Die Stakeholder des Boards, das sind z.B. Regulatoren die spielen eine große Rolle. Der Verwaltungsrat einer Bank mit der Bankenkommision, die das regelt. [...] Dann sind da die Revisoren als Organ der Gesellschaft, dann auch die internen Revisoren die im Führungsbereich Ansprechpartner sind. Dann können das auch Keyaccounts, also sehr wesentliche Kunden, sein. Also dass man von einem ganz großen und wesentlichen Kunden weiß was er denkt und will. Das können auch stakeholder sein. In Tat und Wahrheit glaube ich wird das Board stark beeinflusst von den Analysten. [...] Ich habe das zum Teil auch selbst erlebt, die Angst vor der Meinung der Analysten. Die Hassliebe die man hat zu diesen Analysten und etwas abgeschwächt im Vergleich zu den Analysten zu den Journalisten. Wie werden die das darstellen in der Zeitung. Das würde mir spontan einfallen.</i>	<ul style="list-style-type: none"> x Stakeholder of the Board are governmental institutions and the regulator (e.g. Bankenkommision), the internal and external auditors, important customers (e.g. keyaccounts), analysts and the media.
Shareholders	R16	<i>[Die Shareholder, Investoren und Lender] habe ich wenn ich es mir überlege aus zwei Gründen nicht genannt. Erstens sind die Shareholder ja sowieso da, sie sprechen ja mit. Wenn es ein Familienunternehmen ist, wo der Eigentümer noch die überwiegende Mehrheit hat, dann sitzt der Eigentümer am Tisch und die anderen können an der Börse kaufen oder verkaufen. Also ist das ohnehin rechtlich schon repräsentiert. Oder auch faktisch sind ja diese Eigentümer immer dabei. Es kommt hinzu, dass faktisch sehr oft Banken auch noch vertreten sind als die Investorenseite also nicht nur die Eigentümerseite vertreten ist, sondern auch die Fremdkapitalseite. Also die sind eherzu stark vertreten als untervertreten.</i>	<ul style="list-style-type: none"> x shareholder, investors and lenders are generally represented by the board of directors (direct and indirect). x shareholders have further influence on the board of directors by the general assembly or in their decision to buy or sell the shares.

Stakeholder Importance in (Crisis)	R17	<p>Das hängt von der unternehmerischen Situation ab. [...] Die Krisensituation, [...] da gab es im Prinzip einen absolut dominierenden Stakeholder und das waren die Banken. Die nicht einmal Großgeldgüter waren sondern Fremdkapital gehalten haben. Ich persönlich als Betriebswirtschaftler war erstaunt wie stark das Fremdkapital in einer großen Krisensituation repräsentiert ist durch die Banken. Wenn die ihnen das Fremdkapital kündigen dann können sie gleich zu machen. Das kann ein Aktionär in dieser Form nicht. Da habe ich die Banken sehr stark erlebt. Ich würde sagen auch ungewöhnlich autoritär bis unanständig, bis expressisch. Die zweiten wesentlich Stakeholder sind dann die Anwaltsberater, die juristischen Berater und zwar die Anwaltsbüros also nicht der interne Jurist der die Verträge abschließt mit den Mitarbeitern usw. Die Anwaltskanzleien die man braucht um in einer Krise bestehen zu können. Und etwas zurückgestuft in der Bedeutung die PR-Institutionen, die versuchen über Zeitung und Fernsehen usw. die öffentliche Meinung zu beeinflussen sind in der Krise sehr wesentliche Stakeholder. [...] In der Regel tritt dann der VR Präsident nach Rücksprache mit dem Board mit diesen Stakeholdern in Kontakt [...] also der Präsident hat das dann alleine gemacht. [...] Im absoluten Höhepunkt der Krise kamen die Bankenvertreter in die VRsitzungen, falls sie nicht schon Mitglieder waren. Kamen in die Sitzungen und haben uns diktiert was wir zu tun haben. Also ich meine wenn sie nicht eingeladen worden wären, wären sie wahrscheinlich trotzdem gekommen. Sie haben sich aufgedrängt. Weil sie haben die Macht gehabt in dem Moment. Wenn sie ein Industrieunternehmen haben mit großem Fremdkapitalanteil, Eigenkapitalanteil von 20-30% und mit 70% Kredite aller Art, dann ist schnell gesagt wer die Macht hat. Ja also in der Krise bestimmt die finanzielle Macht des Stakeholders seine Einbindung und die Art der Interaktion, die eigentlich hauptsächlich persönlicher Natur ist zwischen dem Präsidenten des Boards und dem jeweiligen Stakeholder.</p>	<ul style="list-style-type: none"> x Company situational context influences the importance of different stakeholders for the board x Crisis makes financial stakeholders important (especially lenders with high power to influence the future of the company, have more power than shareholders in this situation) x Crisis makes lawyers important for boards (e.g., knowledge how to handle a crisis, crisis management and consulting in questions of law) x Crisis makes PR important for boards (institutions and linkages to media and analysts to influence reporting) x Crisis makes one single speaker of the board important (consistent information and reporting, direct contact) which is normally the chairman x Crisis forces the board to include the relevant stakeholders (financial representatives) on board meetings (stakeholders can be included on boards if they possess power and urgency in a specific situation)
Stakeholder Importance (Daily Business)	R18	<p>In der Nichtkrise [...] ist das dann ganz anders, dort spielen dann viel mehr die Kundenbeziehungen eine Rolle. Dann kann man zu einem VRmitglied, das Zugang hat zu einer Kundenkategorie oder zu einem bestimmten Kunden hat gerne sagen - legen sie ein Wort ein für uns, wir kommen mit einem neuen Produkt. [...] Dann würde ich sagen schwenkt das [von den finanziellen] über auf die normalen kommerziellen Überlegungen. Kunden, also das habe ich mehrfach erlebt, dass man diese Beziehungen über ein VRmitglied pflegen lässt. In der Regel auch im Gremium vorher besprochen gehen sie hin zu diesem Menschen. Finanzen eher, das macht in der Regel der VRpräsident mit den Banken, der orientiert die natürlich periodisch, dann kommen die ganzen Investorrelations die auch nur grob vorbesprochen werden in der Normalsituation, wenn man erfolgreich ist. Das macht dann der Präsident mit seinem Finanzchef, die Mitglieder des VRs treten dabei nicht direkt in Erscheinung oder in den Dialog. [...] Aber ich denke, wenn jemand der die Beziehungen schon hat zu diesem Kunden oder so, oder von dem man annimmt dass der Kunde ihm Vertrauen entgegenbringt, dann ist das mein Mann [für Kundenbeziehungen] im VR.</p>	<ul style="list-style-type: none"> x customers play an important role as stakeholders for the board of directors x customer relationships can be cultivated by board members with good relationships to the specific customer group x No crisis changes the importance of stakeholders to the board (financial stakeholders in crisis to commercial stakeholders and non-financial resource providers in daily business) x Generally, the Chairman, CFO and investor relations cares for financial stakeholder relationships (especially with banks) in direct / personal and constant / periodically contact, other stakeholder relationships are cared for by board members with high relationship potential to these stakeholder groups periodically or by instance. x the content of all stakeholder relationship activities should be discussed in board plenum first
Competitors	R19	<p>Also ich habe eigentlich eine sehr vorsichtige Haltung der Boards gegenüber Mitbewerbern immer gesehen. Das sind schon die Feinde Nummer 1. Dass diese gleichläufige Interessen haben können in einer bestimmten Situation usw. und dass man dann situationsbezogen mit ihnen darüber spricht ist klar. Wenn eine Abstimmung über die Verstaatlichung der Banken stattfindet, dann werden sich die Banken alle zusammensetzen, also die Konkurrenten, und sagen wie die Strategie der Bankenbranche ist gegenüber diesem Vorhaben usw. Da kann es schon sein, aber im normalen Geschäftsgang schaut man sehr darauf, dass der Konkurrent nichts erfährt und er wird als Feind betrachtet. Als feindlicher Stakeholder.</p>	<ul style="list-style-type: none"> x competitors are seen by the board as enemies in general and no relationships should exist between competitors and corporate board members (e.g. due to sensitive information ensuring business secrets) x sharing the same situational problems or issues may build up transitional relationships with competitors in order to develop a common strategy versus different stakeholder groups.

	Stakeholder Representa- tion	R20	<i>[Ich sehe eigentlich zwei Stakeholderidentifikationen auf Board Ebene]. Nämlich zuerst mal auf Grund der Nominierung und Zusammenstellung des Boards und als Evaluation der potentiellen Kontakte oder der bestehenden Kontakte die man nach außen schon hat auf Grund der Zusammensetzung, auf Grund der einzelnen Person. Das erste kann man vielleicht sogar [...] noch spezifizieren. Hier gibt es generell bezogene Stakeholder für den VR und relevante Stakeholder wenn ein bestimmtes Issue aufkommt. Dann müßte man das spezifische Netz noch überlegen. Richtig.</i>
IV Stakeholder as Benefit Providers	Benefits	R21	<i>Mehrere. Angefangen bei dem ganz simplen Erreichen eines ökonomischen Zieles, wie z.B. mehr Umsatz, günstigere Kredite, also Alltagsgeschäfte die man besser abwickeln kann. Erfolgssteigerung, kostensenkend. Kann man sich vieles darunter vorstellen. Durch einen verbesserten Zugang zu Ressourcen. [...] Za einem direkten Menschen der dort entweder Einfluß hat, oder Chef einer Firma ist die etwas kaufen oder verkaufen will. Das ist die banale Alltagsbene die sehr oft vom Praktiker in den Vordergrund gestellt wird. [...] die weiteren Vorteile sind, also es gibt einen Imagevorteil. Stakeholder schauen wer sitzt in einem VR und wenn da Menschen sitzen die in seiner Wahrnehmung gute Menschen sind oder kompetente Menschen sind, dann schafft das einen allgemeinen Vorteil im Image dieser Firma. Es gibt dann Vorteile, die habe ich recht häufig erlebt, im Behrbringen von Wissen und in der Aufnahme von Beziehungen. Das ist ganz ähnlich gelagert. Man weiß, dass die und die Firma das schon einmal gemacht hat. Triplebottomline eingeführt oder was auch immer und dann macht man eine Beziehung zu denen, man erhält das Wissen das die haben dann zuge liefert. Es ist auch schon vorgekommen, dass man solche Menschen einfach eingeladen hat und gefragt hat wie macht ihr das? Das ist eigentlich der Wissenstransfer. Nicht eigentlich nur im engen technischen und kommerziellen Bereich sondern in der Regel in allen Ebenen der strategischen oder auch bis zu finanzmethodischen Fragen.</i>
	Risk Reduction	R22	<i>[Das kann man aber nicht nur als Wissenstransfer sehen sondern auch als Risikoreduktion]. Absolut. Das Wissen kann ja Erfolg generieren oder es kann Risiko verhindern. Fehlerscheide und Fehlerbehebungen verhindern. [...] Also der Nutzen besteht auch im Aufbau von Beziehungen. Und schließlich sehe ich den Nutzen schon auch im Wissen des jeweiligen VRs, der es weiß. Der weiß wenn man eine Strategie vom Management vorgelegt erhält, der weiß ob das jetzt eine einseitige Markteschätzung ist oder eine Ressourcenbeschränkung. Und wie würde das aussehen wenn es statt market- resourcebased angeschaut wird. [...] Also das persönliche Wissen einbringen das gibt es auch. [Also das von innen nach außen schauen, also dass man selbst schaut was man im Endeffekt für Kompetenzen hat]. Ja.</i>
			<ul style="list-style-type: none"> x two forms of stakeholder representation can be distinguished, the direct representation (direct representation of stakeholders as general important stakeholder set of the company and relevant to upcoming issues) and the indirect representation included by the composition of the board of directors due to the individual stakeholder relationships of the board members x stakeholder relationships on board level can benefit the achievement of economic goals (e.g. sales and revenue increase, cheap credits) and the wealth creation process of a company in general. x stakeholder relationships lead to an improved access to resources. x stakeholder relationships and highly regarded board members (e.g. by expertise, knowledge, individual characteristics, image reputation, title) increase the image and trust of stakeholders in the company x stakeholder relationships may lead to knowledge transfer and the search for knowledge may lead to stakeholder relationships on the board of directors' level. x new strategic orientation or the implementation of new concepts and instruments may be improved and tested by the experiences of board members or by their relationships x stakeholder with expert knowledge can be invited to board meetings by instance. x stakeholder relationships provide benefits in technical, commercial, strategic, instrumental and financial methodological areas. x benefits from stakeholder relationships can also be seen as risk reduction potentials x stakeholder knowledge can generate success but also decrease risks (e.g. wrong decision or strategy) x it is important that the board member is conscious about his position in its individual, the boards and the companies stakeholder network as well as of the stakeholder networks of the remaining board members in their composition. x it is important that the board member is conscious about his expertise and knowledge, its implementation and use as well as the knowledge and expertise of the remaining board members in their composition.

Benefits	R23	<i>Ich nehme jetzt mal die Regulatoren oder diejenigen die die Rechtsungebung schaffen, die können ein Risiko sein oder auch nutzenbringend sein. Das könnte ich jetzt nicht einseitig zuordnen, da könnte ich mir beides vorstellen. Bei den Banken auch, die können schauen, dass sie Kredite bekommen oder können uns sagen welche lausige Bank noch die wenigste lausige ist [...]. Sie können mir auf der einen Seite das Risiko abnehmen, auf der anderen Seite können sie mir Nutzen stiften in dem sie mir Kapital günstig zur Verfügung stellen. Ich glaube das ist immer so.</i>	<ul style="list-style-type: none">x benefits from stakeholder relationships can also been seen as risk reduction potentialsx Regulators (can provide benefits and risks by new regulations, relationships may enhance these benefits and reduce the risk potential)x Banks, Investors, Financial Institutions can provide capital and facilitate the access to financial resources or finance related knowledge but also the risk to withdraw their financial engagement

Table 66: Selected Statements and Findings from Interview IV

